Broken circuit

European electronics on low power

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After the whirlwind

Dutch banking takes stock

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Birth of a nation

Rebuilding the West Bank and Gaza

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TOMORROW'S **Weekend FT**

300 years of Anglo-French monetary muddles

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY SEPTEMBER 10 1993 — D8523A

Maxwell pension funds file writ against Lehman

Administrators to the manager of the Maxwell company pension funds filed a writ seeking £100m ($154m) from Lehman Brothers International, *the US investment bank owned by American* Express. The writ alleges Lehman officials entered into a series of "stock lending" agreements which it knew were highly unusual in which Bishopsgate Investment Management, the Maxwell-owned fund management company, borrowed increasing amounts of US Treasury bills. Page 6

Court delays ban on Marseille club:

Olympique-Marseille, the troubled French football team, won the first round in its legal battle against exclusion from the European Cup Winners' Cup when a Swiss court temporarily suspended the ban pending a final ruling. Bernard Tapie (left), the flamboyant French businessman and former Socialist minister who chairs the club, vowed to stay on as chairman. Page 18

Early Greek election: Greece was plunged into an early election next month after several rebel conservative deputies deserted Prime Minister Constantine Mitsotakis. Page 18

Babcock shares fall: Shares in Babcock International fell more than 20 per cent to 31½p after the big UK engineering contractor said it would be unable to pay an interim dividend and would report a loss for the six months ending September 30. Page 19

Implants proposal: Women with silicone breast implants may be eligible to share in up to $4.75bn in health benefits over a 30-year period under a proposal being discussed by both sides involved in litigation. Manufacturers are facing thousands of lawsuits. Page 18

CBOT to reconsider Bund future: Chicago Board of Trade, one of the partners in Globex, the global electronic trading system, is prepared to reconsider its position on retaining sole rights to trade Bund futures on the system, its chairman Pat Arbor said. Page 19

Zantac helps Glaxo profits: *Glaxo, Europe's* largest pharmaceuticals group, reported a 17 per cent rise in pre-tax profits for the year to June 30, up from £1.42bn ($2.18bn) to £1.67bn. The results were helped by robust performances from Zantac, the world's best-selling medicine, and recently-introduced products. Page 19

Yeltsin in pain: Russian President Boris Yeltsin has suffered back pain in recent days and invited a Spanish surgeon to Moscow for consultation, Itar-Tass news agency reported.

Cadbury rights issue: Cadbury Schweppes, the confectionery and soft drinks company, launched a £324m ($498m) rights issue priced at 400p per share after reporting a 32 per cent rise in pre-tax profits to £166.2m in the first half. Page 19

Changing Cuba: Cuba took another cautious step towards establishing a mixed economy when its communist government authorised limited, individual private enterprise in a wide range of trades, crafts and services.

Japanese cut labour costs: The economic downturn has forced 60 per cent of Japanese companies to trim employment costs, according to a labour ministry survey. Page 5

Uranium deal: Cameco and Uranerz, Canada's biggest uranium producers, signed a joint 10-year marketing and technical development agreement with Katep, the uranium producer controlled by the republic of Kazakhstan. Page 21

Ukraine premier quits: *Ukraine's prime* minister Leonid Kuchma resigned, saying attacks on his policies made it impossible for him to introduce market reforms.

Nissan may sell shares: Nissan, Japan's second largest manufacturer of cars, may sell shareholdings in an attempt to offset trading losses it is likely to have made in the six months ending this month. Page 19

Fighting in Mogadishu: Pakistani UN troops and Somali militias battled in the streets of Mogadishu and a UN armoured vehicle was set on fire. The fighting erupted in a stronghold of fugitive warlord Mohamed Farah Aideed.

■ STOCK MARKET INDICES

FT-SE 100:	3031.2	(-4.2)
Yield	3.8	
FT-SE Eurotrack 100	1285.95	(-0.58)
FT-A All-Share	1508.51	(-0.1)
Nikkei	20,825.58	(-92.61)
New York: lunchtime		
Dow Jones Ind Ave	3591.45	(+2.52)
S&P Composite	457.78	(+1.21)

■ US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.013%
Long Bond	104½
Yield	5.931%

■ LONDON MONEY

3-mo Interbank	5⅞%	(5$\frac{15}{16}$%)
Liffe long gilt future:	Sep 114$\frac{1}{16}$	(Sep114¼)

■ NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$16.09	(16.06)

■ Gold

New York Comex (Dec)	$356.5	(353.6)
London	$354.15	(351.75)

■ STERLING

New York lunchtime:		
$	1.55	
London:		
$	1.5510	(1.5405)
DM	2.4774	(2.495)
FFr	8.735	(8.785)
SFr	2.1725	(2.1925)
Y	162.5	(162.75)
£ Index	81.6	(same)

■ DOLLAR

New York lunchtime:		
DM	1.59815	
FFr	5.63825	
SFr	1.3985	
Y	105.1	
London:		
DM	1.597	(1.619)
FFr	5.6325	(5.7025)
SFr	1.4	(1.423)
Y	104.75	(105.65)
$ Index	64.2	(64.6)

Tokyo close Y 105.38

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft185	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Esc215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Israel and PLO prepare peace accord signing

By Julian Ozanne in Jerusalem and George Graham in Washington

ISRAEL and the Palestine Liberation Organisation, bitter enemies for nearly three decades, recognised each other yesterday in a landmark decision which will enable the signing of an historic peace accord between the two parties in Washington next week.

Senior Israeli officials said after an extraordinary session of the Israeli cabinet that Mr Yitzhak Rabin, prime minister, would sign a document of recognition in a ceremony at the Prime Minister's office later last night.

The text of a PLO statement recognising Israel, signed yesterday evening by Mr Yassir Arafat, PLO Chairman, was being ferried from Tunis to Jerusalem by Mr Johan Joergen Holst, the Norwegian foreign minister, who played a critical role in facilitating secret Israeli-PLO dialogue.

Israeli officials said the PLO had agreed to renounce violence, to recognise the right of Israel to exist, to submit all future disputes to peaceful negotiation and to call upon the 1.9m residents of the Israeli-occupied territories to suspend the *intifada* - the six year-old Palestinian uprising.

Earlier in the day, Mr Rabin told Labour party MPs that in the PLO recognition statement Mr Arafat would tell the residents of the territories that "a new era has begun, an era of reconciliation, building and cooperation, and especially opposition to terror and violence."

Israel, in turn, will recognise the PLO as a legitimate representative of the Palestinian people in the peace process and will abandon years of hostility to the movement, which it had characterised as a terrorist organisation bent upon the destruction of the Jewish state.

Mr Moshe Shahal, Israeli police minister, said a broader agreement on Palestinian self-rule in the occupied West Bank and Gaza Strip, initialed in Norway three weeks ago, could now be signed in a ceremony in Washington on Monday.

The self-rule peace accord has already been approved by the Israeli cabinet. Mr Holst confirmed to reporters at Tunis airport that the Monday signing ceremony would go ahead.

President Bill Clinton said last night that Mr Rabin had confirmed that the two sides had reached agreement and added that the US would now consider resuming dialogue with the PLO.

Mr Clinton applauded the "very brave and courageous" decision of Israel and the Palestine Liberation Organisation to recognise each other.

He was "very, very hopeful about the future", adding "I am extremely happy that this finally happened. This is a huge development".

Mr Clinton said the US would be ready to resume links with the PLO "if the PLO statement today meets the criteria we have repeatedly set down: renouncing *terrorism* and *acknowledging* Israel's right to exist."

The US would continue to play a direct role in the detailed negotiations which will follow the signature of the declaration of principles on Monday. "They have reached a general agreement but the process of implementing it will be quite complicated, and we expect to be involved in the process," Mr Clinton added.

Yesterday's breakthrough on mutual recognition follows days of secret negotiations in Paris.

Agreement emerged yesterday after meetings at the Bristol Hotel between Mr Uri Savir, director-general of Israel's foreign ministry and Mr Ahmed Qurie (Abu Ala), head of the PLO economics section. The PLO had insisted on mutual recognition before signing the self-rule agreement.

Mr Yassir Abed-Rabbo, a PLO Executive Committee member, said Mr Rabin and Mr Arafat would make simultaneous, public recognition statements this morning.

Gaza public works, Page 4

Israeli foreign minister Shimon Peres in the Knesset yesterday

German move sparks wave of cuts in Europe ■ Dollar falls sharply

Bundesbank eases key rates

By David Waller in Frankfurt, Robert Graham in Rome and Peter Norman in London

THE BUNDESBANK yesterday cut its internationally important discount and Lombard rates by *half a percentage point each, triggering* a wave of rate cuts in continental Europe.

But the German central bank's *decision to make only a slight cut* in the "repo" rate, at which it supplies funds to the banking sector through money market operations, to 6.7 per cent from 6.8 per cent, caused financial markets and economists to view the monetary easing with caution.

The Bundesbank reduced its discount rate to 6.25 per cent from from 6.75 per cent, its first cut since July 1, and in effect dropped the floor for German money market rates by half a percentage point. The Lombard rate, at which the Bundesbank lends emergency funds to banks against collateral, was lowered to *7.25 per cent from the* 7.75 per cent level set immediately before the late July crisis in the European exchange rate mechanism.

The German move was followed by rate cuts in France, Italy, the Netherlands, Belgium and Austria. But other ERM central banks appeared reluctant to treat the German move as a signal for sharp cuts in interest rates or for a decoupling of their currencies from the D-Mark in the ERM's wider 15 per cent fluctuation margins agreed last month.

The Bank of France reduced the rate at which it lends five to 10 day funds from 10 per cent to 7.75 per cent but left the more important intervention rate unchanged at 6.75 per cent. Belgium, while cutting its discount *rate by half* a point to 6.50 per cent, reduced its important central rate by only 0.25 per cent to 10.25 per cent. The Netherlands *reduced its official rates by only* a quarter of a percentage point.

Financial markets reacted coolly to the news. Equities in *Frankfurt* were slightly lower at the end of official trading before declining further in after hours dealings. The rate cuts left the D-Mark unscathed. The dollar fell sharply against the German currency, losing more than two pfennigs in London to close at DM1.597, but ERM currencies were barely affected.

The Bundesbank said it had resumed its policy of gradually lowering interest rates because of recent evidence of a gradual slow-down of inflationary pressures in Germany.

Another factor was the recent strength of the D-Mark, coupled with signs that money supply growth had not been as high as feared after the Bundesbank intervened in currency markets last month, the central bank said.

German politicians welcomed the Bundesbank's move. Mr Theo *Waigel, finance minister, said it* would support the recovery of economic growth in Germany and abroad.

But although the cuts in Germany's two "headline" rates were more than expected, the verdict among economists and industry was mixed. "It combines a technical move with genuine easing of monetary policy," said Mr Thomas Mayer, economist at Goldman Sachs in Frankfurt. The BDI, the Federation of German Industry, welcomed the rate reduction, but said it was too soon to talk of an "all-clear" for German industry.

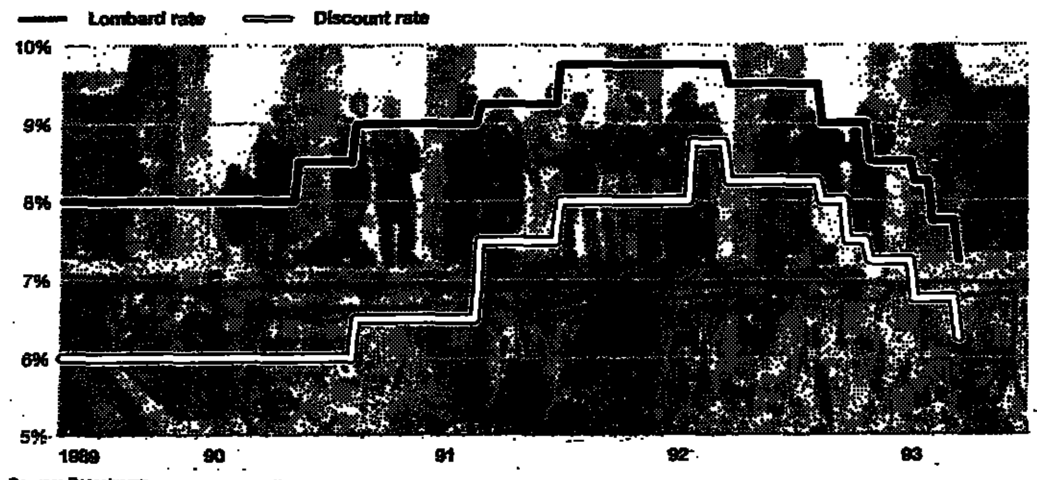
Some economists pointed out that the direct impact on German industry of yesterday's cut in short-term rates would be negligible because the bulk of German companies' borrowing was long-term, where rates had been at 30-year lows for some time. "But the cut will have considerable symbolic effect as it proves the Bundesbank's determination *to keep on reducing rates,"* said Mr Jürgen Pfister, head of economic research at Commerzbank.

European monetary officials *suggested that the Bundesbank* had cut its rates to "clear the decks" in good time before the retirement of Mr Helmut Schlesinger, the central bank's president, at the end of this month. His successor, Mr Hans Tietmeyer will be able to take over the Bundesbank presidency without being encumbered by expectations of an early further easing *of monetary policy.*

The interest rate cuts were also seen as a move to ease Franco-German tensions and interna-

Continued on Page 18

Since the Wall came down: German interest rates



Source: Datastream

...Europe responds

	Percentage FROM	TO
France		
5–10 day lending rate	10.00	7.75
Italy		
Discount rate	9.00	8.50
Netherlands		
Discount rate	5.75	5.50
Belgium		
Central rate	10.50	10.25
Austria		
Discount rate	6.00	5.75

Mercedes seeks new plant site in Europe

By Kevin Done, Motor Industry Correspondent in Frankfurt

MERCEDES-BENZ, the German luxury carmaker, is investigating sites in four European countries including the UK, the Czech Republic and Germany, for the *construction of a car assembly* plant.

Mr Helmut Werner, Mercedes-Benz chief executive, said yester*day the plant would produce the* company's planned small car.

A decision could be made by the end of this year on the location for the plant, which would have a capacity to produce around 200,000 cars a year, he said.

The company is aiming to gain around 2.5 per cent of the world market for small cars which currently totals around 8.5m.

Mr Werner's disclosure in an interview with the Financial Times will trigger intense competition between countries in Europe which enter the bidding. The plant will be one of the biggest greenfield site automotive *projects to be built in Europe* in the second half of the 1990s.

In recent years the lion's share of new car assembly capacity in

Continued on Page 18

VW's lawyers urge early interrogation for López

By Christopher Parkes in Frankfurt

VOLKSWAGEN lawyers have written several times to public prosecutors, demanding that Mr José Ignacio López de Arriortúa, group production director, should be interrogated as soon as possible on the suspicions against him.

Even telephone calls to Ms Dorothea Holland, the senior prosecutor in charge, had failed to produce a summons, Mr Otto Ferdinand Wachs, a VW official, said yesterday.

He was responding to accusations from General Motors that VW was not co-operating fully *with the investigation* into suspicions that Mr López and colleagues stole secrets from Adam Opel, GM's German subsidiary, and took them to their new employer.

A claim from Mr Louis Hughes, president of GM Europe, that VW *was paying only "lip service" to* co-operation was "unbelievable", Mr Wachs said.

Mr López, he continued, offered personally *to testify* on August 26, when Ms Holland and her team searched VW's headquarters for possible evidence to support *suspicions of industrial* espionage.

During the raid Mr Ferdinand Piëch, group chairman, sent an electronic mail message welcoming the search and asking all employees to co-operate "constructively and openly".

Mr Hughes could not be reached yesterday, but GM officials said Mr López's offers were "tactical manoeuvres". Ms Holland was more likely to be interested in examining the haul from her search and preparing questions based on the results than in seeing him now.

Under German law a suspect may, at the prosecutor's discre*tion, see files on the investigation* at the time they are questioned. They are guaranteed access when charges are imminent to allow *them to prepare a public statement.*

According to an internal VW letter, signed by Mr Piëch, the *searchers confiscated documents,* 25 personal computers and around 250 diskettes. People in the areas searched said the material was VW data, the letter added.

"We have, as far as we were able to attend the search action, been able to establish no indications that any secret data originating from GM/Opel was found by the investigating authorities."

Mr Hans Gäb, vice-president of GM Europe, last night noted that VW had already admitted that *"potentially significant evidence"* had been destroyed on its premises.

CONTENTS

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Frankfurt finally delivers goods

By David Waller in Frankfurt and Quentin Peel in Bonn

THE Bundesbank yesterday ended its cat-and-mouse game with the international financial markets and delivered the cut in interest rates that everybody had been waiting for.

After more than two months of refusal to cut the internationally sensitive discount rate – a stubbornness which led directly to the July upheaval in the European exchange rate mechanism – the German central bank chopped the discount and the Lombard rates by half a percentage point to 6.25 and 7.25 per cent respectively.

The move brought confused and conflicting reactions inside Germany. The German government, in the shape of Mr Theo Waigel, the finance minister, said the move would "support efforts to restore growth within and outside Germany".

German industry, on the other hand, was much more sceptical. The German chamber of commerce and industry (DIHT) described the move as "questionable" in the light of continuing excess growth in money supply. "If interest rates are cut again in spite of excessive money supply growth, the German Bundesbank's money supply-oriented anti-inflation policy will be thrown into doubt," it said.

The DIHT, like many economists, also doubted that the move would have any significant direct effect on German economic growth – because long-term interest rates are already at a historic low point. Its beneficial effect, they said, will only come indirectly through export growth, if other European economies can expand faster as a result of the interest rate move.

'We would not want to create the impression that Germany doesn't have any inflation problems any more, but they are less pronounced than they were'

Mr Franz-Josef Link, of the IW economic institute in Cologne, attached to the federation of German industry, cautioned against seeing the latest recovery in the growth rate of gross domestic product – up by 0.5 per cent between the first and second quarters – as anything more than stagnation.

For some time the markets have been expecting the Bundesbank to resume its gradualist approach to interest rate cuts. Long-term interest Bund yields have sunk to 30-year lows in anticipation of further easing and the German stock-market has for weeks been buoyant. The DAX index of 30 leading German shares closed marginally down yesterday and long bund yields closed unchanged at 6.13 per cent.

There were technical and political reasons for the timing and size of the cut.

The technical reason is that for nearly six weeks the repurchase rate at which the Bundesbank supplies wholesale funds to the banking sector has been extremely close to the discount rate. The Bundesbank's freedom of manoeuvre in its money market operations is limited under such an interest-rate constellation and observers expected the discount rate to fall by at least 25 basis points to create a decent gap between it and the repo rate.

The political reason is that the Bundesbank never likes to be seen to be giving into international pressure when it makes its rate cuts.

The last meeting of the policy-making council coincided with a visit to Bonn from the French prime minister, Mr Edouard Balladur: not a good moment to cut.

The next meeting is immediately after the International Monetary Fund/World Bank annual meeting in Washington. To cut then might also seem like bowing to outside calls for cheaper money.

These were not the arguments used by the Bundesbank to justify yesterday's move however.

In a terse statement, the bank explained that there had recently been signs of a gradual slowing down of the inflation rate – and that money supply growth was likely to turn out to be less pronounced than had been feared after the Bundesbank's currency interventions last month.

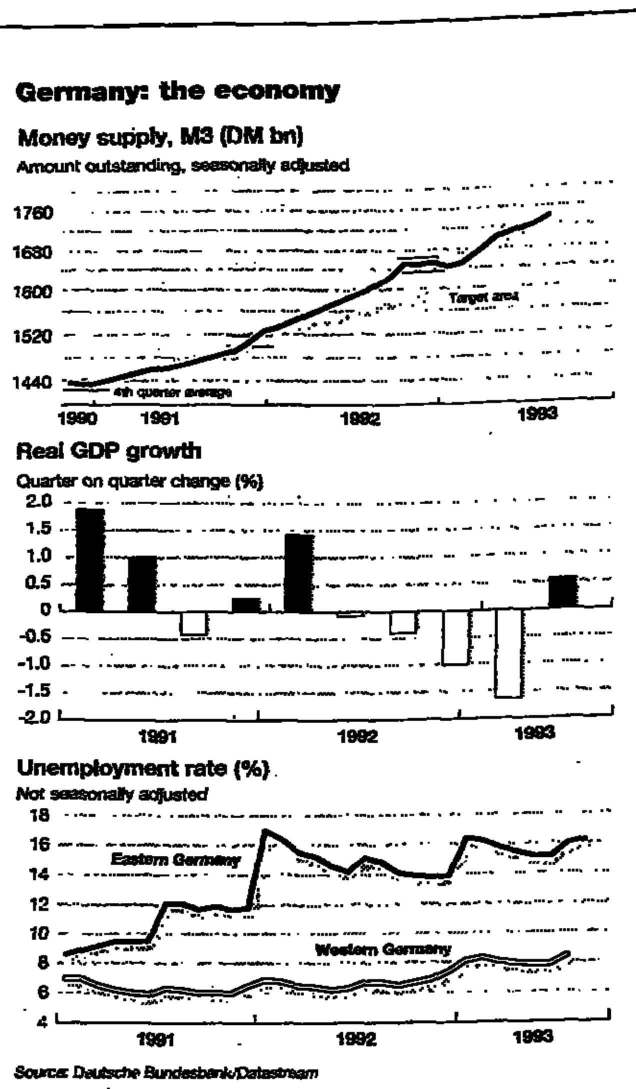
This positive message was amplified in comments by Mr Helmut Schlesinger, Bundesbank president: he said the pressure on prices was quietening down.

The Bundesbank believes that its gradualist approach has succeeded in restraining inflation – despite signs to the contrary.

"We wouldn't want to create the impression that Germany doesn't have any inflationary problems any more," Mr Schlesinger told the VWD news agency, "but they are less pronounced than they were". The annual inflation rate was 4.2 per cent in August – more than twice the Bundesbank's long-term 2 per cent target. In July M3 – or broad money – grew well outside the the 4.5 to 6.5 per cent target range for the fourth month in a row. The 7.4 per cent seasonally adjusted, annualised growth in July M3 was cited as a reason why rates were not cut a fortnight ago.

Against this background, Mr Schlesinger's words and the interest rate cut served to stimulate hopes of inflation below 4 per cent cent in October and money supply back within the target range. This would allow further cuts in short-term rates before the end of the year.

Mr Schlesinger said the council had reached its decision to cut rates after assessing evidence that the German economy had passed its low point, citing the fact that the small increase in western German GDP in the second quarter of the year. "We weighed all this up, without sharing in any great optimism," he said, reiterating the central bank's stance that German industry cannot rely on interest rate cuts to reverse a recession or to remove the need for structural measures.



Cautious response from the French

By John Ridding in Paris

THE Bank of France responded cautiously to the German cut, reducing the rate for five to 10 day funds from 10 per cent to 7.75 per cent but leaving the more important intervention rate unchanged at 6.75 per cent.

The German move gives the French authorities more room for manoeuvre in lowering borrowing costs. But the cut in short-term rates, which brings official French rates to their levels before this summer's currency crisis, was seen as a limited step.

"It was the minimum reaction they could have taken," said Mr Christopher Potts, economist at Banque Indosuez in Paris. "Money market rates are already below 7.75 per cent and no one expects them to rise again."

He said the Bank of France would try to bring money market rates down from 7.5 per cent to about 7 per cent in coming weeks, before cutting the intervention rate, the floor for money market rates.

The problem facing the French is the continued strength of the D-Mark. Despite the Bundesbank rate cuts, the French franc lost ground against the German currency yesterday, closing at FFr3.525 to the D-Mark in London, about 3 per cent below its former ERM floor.

Despite the widening of the fluctuation bands, the Bank of France has sought to keep the franc relatively stable against the D-Mark. This partly reflects the central bank's need to rebuild its foreign exchange reserves after its unsuccessful defence of the franc in the recent currency crisis.

Economists welcomed the German cut. "If the Bundesbank didn't move, it would have increased pressure on the French to go it alone," said one. They believe French interest rates will now see continued gradual reductions.

Rest of Europe holds tight to Bundesbank coat-tails

By James Blitz and Peter Marsh

The Bundesbank's interest rate cut yesterday allowed several European central banks to follow suit, and may trigger a further easing in monetary policy in the coming days.

But each country in the exchange rate mechanism still faces the dilemma of whether to decouple its monetary policy from that of the Bundesbank, pushing short-term interest rates below Germany's.

The Bundesbank's cut in its Discount and Lombard rates was widely interpreted as a move determined by stronger economic data in Germany, in particular a lower level of German money growth than had been expected.

It had little to do with the pressing need to ease the cost of money in Europe as a whole. "This was a move determined by domestic factors, and subsequent moves will also be determined by those factors," said Mr Brian Hilliard, international economist at Société Générale Strauss Turnbull.

The other ERM members must decide whether to remain tied to Germany on monetary policy, or to use the freedom provided by last month's ERM relaxation to to cut borrowing rates more sharply.

The ERM's operating rules were drastically altered on August 2 when finance ministers agreed to widen the fluctuation limits against the D-Mark from 2.25 per cent to 15 per cent.

But the remaining ERM countries – France, Ireland, Denmark, Belgium the Netherlands, Spain and Portugal – have hardly capitalised on the changes by letting their currencies drop against the D-Mark through sharp interest rate reductions.

Instead, they are keen to maintain their currencies' values against the D-Mark to preserve a semblance of the semi-fixed exchange rate system which produced large inflows into their asset markets in recent years.

The caution was underlined yesterday when the Bank of France left its important intervention rate unchanged at 6.75 per cent, even though, in a more technical move, it cut its five to 10 day money-market lending rate.

Belgium and Spain both shadowed the German move more directly, and Denmark cut its 14-day Certificate of Deposit rate by ½ a percentage point earlier this week. But there was no suggestion that any of these countries would ease policy more drastically than Germany does.

However, France, Denmark and Belgium cannot hope to preserve the values of their currencies simply by shadowing every cut in German rates.

Their currencies could come under heavy pressure against the D-Mark if foreign exchange dealers believe that damage is being inflicted to their economies by a failure to cut interest rates.

Nor can they count on the Bundesbank to ease pressure quickly enough to remove that threat. "The Bundesbank is clearly not in a mood to accelerate its gradual programme of cuts in interest rates," says Mr David Morrison, international economist at the London office of US investment bank Goldman Sachs.

It all adds up to what Mr Ian Gunner, an economist at Chemical Bank, calls a no-win situation.

"Either they keep their interest rates on hold, and their currencies die a slow death," he said. "Or they take the more sensible course of cutting interest rates sharply. Their currencies would fall in the short term, but they will appreciate on signs of higher economic growth."

France would be in a strong position to adopt the latter policy. Its economy is fundamentally strong, with a strong trade and current account surplus and low inflation.

But a decoupling of policy would be more traumatic for the Danish and Belgian authorities, who have seen their respective currencies depreciate in the wake of this week's cuts in interest rates.

The Danish krone may be vulnerable because – following the relaxation of the ERM bands – dealers have tended to place the currency alongside its fellow Scandinavians, the Finnish markka and Swedish krona. Both of these had substantial devaluations last year.

The Belgian franc could be even more vulnerable. Until recently, the move to European monetary union diverted attention away from some of Belgium's serious economic problems, including a public debt-to-GDP ratio of 130 per cent.Following the recent crisis in the ERM, the Belgian franc has fallen more sharply than any other currency in the system.

European industry 'needs to change cost structure'

By David Gardner in Brussels

EUROPEAN industry needs urgently to change its costs structure to compete internationally and preserve jobs, even though many thousands of jobs will go as a result of such a reappraisal.

This was the message of the industrial relations chiefs of two leading European transnational electronics companies, Philips and Siemens, to a Centre for European Policy Studies seminar on employment.

Ms Regina Matthisen, international labour relations manager of Philips, argued that "we have lived in Europe above our means for too long." High wage and non-wage costs, inflexible and short working hours would drive European industry to relocate in areas such as eastern Europe and China, where costs were around a tenth or lower.

Mr Uwe Liebig, international labour policy manager at Siemens, argued that with labour costs and working hours largely cemented in place by regulations, sacking workers was often European companies' only way out. "Current laws are such that only jobs are freely disposable," he said.

Both cited now familiar figures showing most EC wage and social security costs high above Japanese and US levels, even though Mr Liebig demonstrated that productivity in Belgium, the Netherlands, Italy, Germany and Sweden remains well above levels in Japan and the US.

Ms Matthisen argued that "we cannot compete with these enormous differences in wage costs," and called for a "very high amount of flexibility" on wages, working time, switching of jobs, and in the introduction of much greater automation. A "knowledge-intensive" industrial structure will be Europe's strength, she said, but warned that companies could still get high quality production out of low cost countries with sometimes lower education standards.

Mr Liebig said Siemens was not considering shifting production out of Europe on any scale. But technological advance was lowering the work content of production, thereby doing away with semi-skilled jobs. At Siemens, these jobs were largely being replaced by more skilled jobs.

Philips employs 240,000 world-wide, but has shed 170,000 jobs in the last 15 years, including 45,000 in the last three, Ms Matthisen said. Employment at Siemens, by contrast, has more than doubled since 1960 to 413,000 in 1992, but Mr Liebig said "we shall have a little less than 400,000 employees worldwide" by the end of September.

Officials from the European Commission, which is preparing a White Paper on the way out of the jobs crisis, said dismantling EC social protection was not the way forward.

Emperor Akihito of Japan and Empress Michiko being welcomed by officials at the start of an official visit to Belgium yesterday Reuter

Big trade surplus in France

By John Ridding in Paris

FRANCE achieved a record trade surplus of FFr10.88bn (£1.23bn) in May, as exports rose much more quickly than stagnant imports, according to customs statistics announced yesterday.

The surplus was almost double the FFr5.8bn surplus recorded in April, which was revised down from FFr7.6bn, and was ahead of expectations.

An official at the economics ministry said that May's trade figures demonstrated the competitiveness of French industry. But private economists cautioned against reading too much into the statistics.

They said the sharp downward revision in April's surplus demonstrated the unreliability of trade figures following the introduction of new compilation procedures in the European Community at the beginning of the year. They added that May's surplus largely reflected the weakness of the French economy.

Imports in the month at FFr88.41bn were little changed compared with April's figure. "This reflects depressed spending in the domestic economy," according to Mr Jean-François Mercier, French economist at Salomon Bros.

Exports, however, showed a healthy increase, rising by 5.7 per cent to FFr99.29bn. The surplus on trade of industrial and military goods more than doubled to FFr3.27bn.

Italy decides to wield public spending knife

By Robert Graham in Rome

THE Italian government was last night due to announce cuts in pension benefits, further streamlining of the health service, a reduction in the number of ministries and a continued freeze on civil service recruitment to save L28,000bn (£11.6bn) in the 1994 budget.

Before the cabinet met late yesterday, the unions lobbied to head-off a freeze on civil servants' pay during 1994. But if a pay rise is conceded this is unlikely to exceed 2.5 per cent – well below projected inflation of 3.7 per cent.

The public spending cuts are an unequivocal signal that the state can no longer afford to support an inefficient, overmanned bureaucracy and a welfare state that has been funded out of debt rather than taxes. The austerity measures are also aimed at Italy's international partners, especially the EC, demonstrating the government's seriousness in cutting back the huge public sector deficit.

The 1994 budget deficit will be held down to about L144,000bn on the latest calculations, compared to L155,000bn for the current year. This would be equivalent to 9.7 per cent of gross domestic product, still nearly twice the EC average.

But yesterday the Bank of Italy dropped the discount rate from 9 per cent to 8.5 per cent in response to the Bundesbank's move and this promised a further annual reduction of some L7,000bn in the overall burden of Italy's debt.

Mr Carlo Azeglio Ciampi, the prime minister, is seeking to raise L32,000bn through spending cuts and extra taxes. Officials said he had opted to obtain the bulk through spending cuts because fiscal pressure was already high and increased taxes risked being counter-productive.

The cuts are to be focused on pensions. The government last year introduced a reform of the generous state pension system; but this did not go far enough. The new measures will penalise state employees who seek to leave (as they previously could) after 20 years work.

Those leaving the state sector before making 35 years of contributions and the private sector before 38 years will have their payments scaled back progressively the earlier they retire. At the same time the government is expected to postpone the revision of existing pension payments.

All ministries are being asked to find across-the-board cuts of 3 per cent while the Ministry of Posts is expected to be abolished. Tighter control will be exercised over government procurement contracts, and some 130,000 civil servants risk being switched to new jobs or face unemployment.

Additional income is due to come from the sale of government buildings. But privatisation revenue has been deliberately excluded from the budget. On the fiscal side, the government is due to make minor adjustments to value added tax payments, reduce the scope for tax write-offs on government investment and refine the "minimum tax".

The latter was an attempt to bring the self-employed and professions within the tax net by assessing people on notional incomes for their declared jobs. The tax was strongly contested by trade and professional associations. However, so long as they are seen as the principal source of evasion, the Ciampi government is unlikely to be too sympathetic.

Swiss recovery hindered

SWITZERLAND is heading for a third year of modestly declining output, with only a slow, weak recovery in prospect next year, according to the Organisation for Economic Co-operation and Development, writes Ian Rodger in Zurich.

It forecasts a 0.6 per cent decline in real gross domestic product this year, after a 0.5 per cent fall last year, and sees only 1.6 per cent growth next year. Recovery will be hindered by poor prospects for exports, by the sharp rise in unemployment, which will limit private consumption, and by the oversupply of commercial buildings, which will dampen construction.

The disappointingly slow fall of inflation will limit the central bank's ability to reduce interest rates. Figures published yesterday showed the annual inflation rate in August rose to 3.6 per cent, from 3.4 per cent in July. The report is remarkable for its mild commentary on Swiss policies. This is in stark contrast to its 1992 report, which made swingeing attacks on the high prices of most Swiss goods and services and on the central bank's monetary policy.

German banker rejects state banks privatisation

By David Waller in Frankfurt

GERMANY'S leading public sector banker has condemned suggestions that public sector banks should be privatised as part of the German government's attempts to reduce the role of the state in German economic life.

Speaking in Frankfurt on Wednesday night, Mr Friedel Neuber, chief executive of the Westdeutsche Landesbank (WestLB), the biggest of the Landesbanken which act as house banks to Germany's regional governments, said that any privatisation would endanger the stability and competitiveness of the German banking industry.

He added that suggestions that privatisation of the banking sector could raise DM100bn ($61.7bn) for central and regional government were incomprehensible: the figure would be considerably lower, and in any case the one-off benefit to the state from the proceeds would be offset by the long-term damage to the fabric of society and the economy.

The German banking system is divided into three segments – privately-owned commercial banks, state sector banks and co-operative banks. Mr Otto Lambsdorff, economics spokesman for the Free Democrats party, has been prominent among those calling for state sector banks to be sold off as part of the government's commitment to privatisation, outlined last week in a paper produced by the Economics Ministry.

Although the Landesbanken fulfil duties on behalf of the state governments which own them, they are free to enter into mainstream commercial lending business as well. A bank such as WestLB, house bank to the state of North-Rhine Westphalia, has accumulated extensive industrial holdings and has played an aggressive role in big business.

It played a key part in Krupp's takeover of rival steelmaker Hoesch last year and it has also built up a large business in the travel sector, most recently acquiring the Thomas Cook travel group.

WestLB's activities have drawn sharp criticism from the private banking sector which complains that the bank is unfairly subsidised by its state sector owners.

They also complain that the bank's activities fit oddly with the its status as house bank to the Social Democrat-ruled state of North-Rhine Westphalia.

One result of the three-tier system is that Germany is served by well in excess of 4,000 credit institutions, which has led to suggestions that the country is "over-banked" and that it is likely to be the "steel industry of the 1990s" as the banks face the need for drastic restructuring.

However the banking sector is prospering despite the severity of the recession.

Deutsche Aerospace Airbus, the German aircraft manufacturer, announced yesterday that it will cut up to 2,800 jobs by the end of 1995 in nine to 10 factories across Germany, writes Ariane Genillard in Bonn.

The company said the "dramatic" decline in the demand for aircraft had forced it to cut its workforce of 20,600 by 13 per cent.

The company, which is a subsidiary of Deutsche Aerospace, itself owned by Daimler-Benz, reported profits of DM410.8m ($253.5m) in 1992, down from DM421.3m the previous year.

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Healthcare revolution is nigh

Will Clinton's plan mean cheap care or a free lunch? Michael Prowse reports

THE trickle of leaks about the likely content of President Bill Clinton's healthcare plan has turned into a torrent as the White House begins to prepare for the most ambitious social reform since President Lyndon Johnson's Great Society programmes of the 1960s.

Although some of the details of the plan may change before it is formally unveiled later this month, the broad thrust of Mr Clinton's strategy is clear. His political gamble is that the public will accept some new controls on healthcare spending and some restriction on choice of physicians, in return for an unequivocal guarantee that everyone, at all times, will enjoy access to a standard package of healthcare benefits, regardless of age, income or employment status.

The pledge of universal access to care would belatedly bring the US into line with social policy throughout the developed world (at present South Africa is the only other industrialised country which does not guarantee care for all). It is important not just for the estimated 37m Americans (15 per cent of the population) without insurance cover, but for tens of millions of families who fear losing insurance cover should a breadwinner become unemployed or contract a serious illness.

To make good on this pledge Mr Clinton will propose controversial changes in the way healthcare is financed and delivered. He will recommend that employers be legally required to provide health insurance for employees and meet at least 80 per cent of the cost of a policy providing the standard package of benefits.

To allay Republican fears that such a "mandate" on employers will kill jobs by bankrupting small companies, the White House will propose public subsidies to ensure that the burden on small companies (those with fewer than 50 employees and average annual wages of under $24,000) is no more than 3.5 per cent of total payroll costs. This would compare with expected payments of 7-8 per cent of payroll for larger companies.

As part of a long-term strategy to reduce costs, Mr Clinton will propose that the US adopts a form of "managed competition". He wants most individuals and businesses to enroll in large healthcare purchasing co-operatives to be known as regional health alliances. (Companies with more than 5,000 employees will be able to form their own "corporate alliances".)

The idea is that the health alliances will collect contributions from employers, employees and federal government and then act as a bulk purchaser of care from competing groups of hospitals and doctors in the private sector. Individuals (and companies) will be able to choose from a list of "health plans" certified by the alliances as meeting the minimal federal requirements.

The range of options in every area should include managed care, such as that provided by Health Maintenance Organisations (HMOs), which sell pre-paid plans, as well as more traditional fee-for-service medicine. But there would be strong financial incentives to shift people into HMOs, which levy a flat annual fee and thus have a strong incentive to control costs.

Under present plans those opting for fee-for-service schemes would have to pay 20 per cent of the cost of each treatment, whereas those accepting restricted access to doctors under HMOs would pay only a flat $10 per visit. This would probably cause a rapid shrinkage of fee-for-service medicine.

Mr Clinton has ruled out any direct controls on the price of medical services, including drugs. But the White House intends to place tight caps on the growth of federal programmes such as Medicare, the scheme for the elderly.

Other more controversial cost-cutting proposals will include limits on the rate of increase in private healthcare premiums (the first time the federal government has interfered with spending in the private sector) and legislation to make corporate healthcare spending in excess of the standard benefits package taxable income for employees (at present there are no limits on tax deductibility).

After the narrow passage of his deficit-cutting budget, Mr Clinton will not be careful to avoid antagonising Republicans. Claiming reforms can be financed mainly by limiting the growth of spending on existing federal healthcare programmes, the White House envisions only a modest increase in "sin" taxes on cigarettes; it has ruled out a general increase in income or consumption taxes.

Several measures, such as subsidies for small business and the pledge that fee-for-service medicine will remain an option for everyone (albeit an expensive one) seem tailored to defuse conservative opposition.

Long phase-in periods for crucial elements of the plan will also increase its chance of success. States, for example, will be able to delay introducing the main reforms until December 1997, well after the next election. For the most controversial proposals, such as limits on tax deductibility, the phase-in period could be as long as 10 years.

Mr Clinton's pledge to guarantee security of access to care for all Americans is likely to have a strong political appeal.

But many specific proposals, such as the mandate on employers to provide insurance for employees, will be hotly opposed. Congress is certain to insist on many modifications to the plan and will probably defer a final vote until next spring.

When the initial enthusiasm for reform dies away, people may wonder whether it is really possible to extend insurance cover to 37m people and improve nearly everybody's benefits (for example by including more generous cover for mental health problems and long-term nursing care) without raising taxes significantly. To veterans of previous bids to control healthcare costs, it sounds suspiciously like a free lunch.

Mrs Hillary Clinton yesterday met Democratic and Republican members of Congress as the White House's efforts to build momentum for its healthcare reform proposals gathered speed, George Graham reports from Washington.

Administration officials are telling members the reforms will trim more than $90bn from projected government spending over the years from 1994 to 2000, despite expanding the types of care paid for by insurance and despite extending a guarantee of coverage to an estimated 35m people who currently have no insurance.

Many members of Congress are sceptical about the prospects of actually saving money with the reforms, despite an estimated $105bn of revenue to be generated in 1994-2000 by an increase in the cigarette tax.

BA presses for curb on European subsidies

By Paul Betts, Aerospace Correspondent

Marshall: recovery possible

BRITISH Airways is putting pressure on the European Commission to adopt tighter restrictions on government subsidies supporting financially troubled national flag-carrier airlines.

Sir Colin Marshall, BA chairman, said yesterday the UK airline would argue strongly, before a recently formed group of EC "wise men", that recovery for European airlines was achievable without the need for further protection or state support.

The group was set up to analyse and propose possible cures for the European airline industry, which lost $700m last year.

"Some $3bn have been pumped into three European airlines in the last three years," he said, adding that, as long as governments continued to support their national carriers, there was little hope of getting airlines in Europe "fit to compete against the big US carriers".

Apart from the $3bn in state support to Air France, Sabena of Belgium and Ibéria of Spain, other European carriers are waiting for state support. These include Aer Lingus of Ireland, Air Portugal, Olympic of Greece. Sabena may seek additional funds.

The UK government is expected to back vigorously BA's position on state subsidies and to oppose any re-regulation in the now liberalised European airline market.

The EC group of "wise men" was set up this summer after a similar initiative by the US administration. In Brussels yesterday, the group started hearings, which will continue next week.

United Airlines, one of the big three US carriers, yesterday also warned the "wise men" that many European airlines were looking to their governments for relief and protection from further competitive inroads by other carriers.

Mr Larry Nagin, United's general counsel, argued such action would be counterproductive.

"The public cost of securing, for a favoured airline, some transitory relief from competition would outweigh the public benefits which the protection would provide," he told the EC committee.

BA is also continuing to press for an agreement by the UK and the US governments to clear the way for the completion of its partnership agreement with USAir.

Mr John MacGregor, UK transport secretary, is to hold further talks in Washington next week on a revision of the existing air service agreement between the UK and US, so as eventually to complete an "open skies" accord by the two countries.

Air ticket systems clash

By Paul Betts

AMADEUS, the computer reservation system (CRS) jointly owned by Air France, Lufthansa of Germany and Ibéria of Spain, yesterday reacted angrily to a campaign by its US rival CRS system Sabre, owned by American Airlines.

The latter is accusing Amadeus of delaying new EC regulations on computer travel reservation systems.

The European group claimed American Airlines was "wilfully misrepresneting the issue" by alleging that European carriers and Amadeus were attempting to prevent European travellers benefiting from lower air fares provided by Sabre.

"American actually tried to prove that Amadeus does not allow a travel agency to search for lower fares in a document directed to the EC," said Mr Miguel Vermehren, Amadeus director of communications. "We were able to show not only that Amadeus displayed the same or lower fares than Sabre, but that half of Sabre's fares were out of date."

Amadeus said the issue facing the EC was one of data security and equal chances for CRS distribution.

The EC postponed approval of new CRS rules after protests from several European airlines insisting on separation of an airline's own internal computer systems and the CRS marketed to the travel industry.

Japanese Eximbank backs private loan

By William Dawkins in Tokyo

THE state-owned Export-Import bank of Japan has guaranteed a Y8bn ($75m) private sector loan to modernise Greece's railways, in the latest part of a drive to calm strains over the country's trade surplus.

This is a fresh development in Japan's six-year-old strategy of trying to recycle part of its capital surplus in development and aid.

It is the first time the Export-Import bank has guaranteed a loan by private institutions, under the so-called "funds for development" scheme, and the first time a European Community member state has benefited from the scheme.

"This loan to a member of the EC will help improve Japan-EC economic relations, which are clouded by the trade imbalance," said the bank.

The bank's guarantee allows the fixed rate loan, by 11 insurance companies, to have an unusually long maturity, 12 years.

Without the guarantee, the lenders would have been unable to accept the risk, said Mr Masahiko Agata, special adviser to the governor.

The precursor to this scheme was launched in 1987, with a $65bn package of loans to developing countries, seen at the time as an important gesture to critics of Japan's growing current account surplus.

Of this, the Export-Import Bank of Japan had lent $23.7bn by the time the scheme was fully disbursed last June. Lending is untied, in that the recipients do not have to use the cash to buy Japanese goods, though the bank specifies that the borrowers must use the money on development projects.

EC hopes to reform Lomé Convention

By Lionel Barber in Brussels

THE European Commission yesterday unveiled plans to overhaul the Lomé Convention, the much-criticised regime governing trade and aid with 69 African, Caribbean and Pacific countries.

Mr Manuel Marin, EC Commissioner responsible for development policy, said it was vital to introduce tighter controls to counter inefficiency and corruption, while bolstering democratic reform and the private sector.

Mr Marin, a Spanish Socialist, said the Lomé Convention had to be tailored to the new post-cold war world where Africa was competing with other regions such as eastern Europe, Russia and Latin America for EC aid.

Mr Marin called for Lomé funds to target civil society and strength democracy, good government and the rule of law. "It may be unfashionable to say so, but we need to create a national bourgeoisie in Africa," he said.

The 1975 Lomé Convention grew out of the old Yaounde Convention, where most of the beneficiaries were French colonies. Britain's entry into the EC increased the membership in Africa and widened it to the Caribbean and Pacific, but at the expense of efficiency and coherence. The Fourth Lomé Convention (1990-2000) provides for Ecu12bn ($14bn) in the form of grants, soft loans and interest rate rebates over the first five years – a 20 per cent increase on Lomé III. But a recent European Parliament report said only one-third of projects produce results.

Mr Marin's most controversial proposal would involve stopping the automatic payment of EC aid money to Lomé clients.

Success of media-free Middle East negotiations gives diplomats food for thought

Hurd hits at role of journalists in Bosnia

By Gillian Tett

THE language was diplomatic, but the pique was thinly disguised. When it comes to dealing with the delicate world of foreign policy, too much openness – and too many journalists – can sometimes do more harm than good, Mr Douglas Hurd, British foreign secretary, said last night.

The timing of Mr Hurd's attack, made to the London Travellers Club, was not entirely accidental. In recent weeks, the British government has faced strong criticism in British papers over its cautious policy in the Balkans. Today Mr Hurd is due to appear on German television in an effort to deflect even fiercer attacks in the German press.

Meanwhile, the recent outwitting of the press corps over the secret Middle East negotiations has given diplomats food for thought.

"There are some foreign policy subjects where absolute secrecy is possible," Mr Hurd said, pointing out that discretion had been crucial in Britain's negotiations with Argentina after the 1982 Falklands war, or the "two plus four" discussions over the reunification of Germany.

Ignoring the media as earlier British prime ministers cheerfully did was no longer possible, Mr Hurd admitted. He might have added that the British government itself has lost little time in publicising aid initiatives, culminating in "Operation Irma" last month.

But with coverage liable to concentrate on horror spots, the "something must be done" syndrome left some journalists with much to answer for in Bosnia, Mr Hurd claimed.

Some aid workers and diplomats in the Balkans might agree. The skill with which UN relief workers have orchestrated the media in Bosnia has provoked pique from low profile groups like the International Red Cross. Attempts by the Bosnian parties to fight their propaganda campaigns through the western press have rarely been welcomed by negotiators in Geneva.

Although the press was barred from Mr Hurd's speech yesterday, the Foreign Office ensured it coverage by faxing his words to the newspapers.

A Serb soldier shoots burning arrows to set fire to a field on the front line near the village of Kanjani, in the UN-protected Serb enclave of Krajina in Croatia, where Serbs and Croatians are still fighting Reuter

UN troops chief welcomes US pledge

By Gillian Tett

GENERAL Jean Cot, commander of UN troops in the former Yugoslavia, yesterday welcomed a pledge by President Bill Clinton to send an unspecified number of US peacekeeping troops to Bosnia, saying it would be a welcome boost to the peace process.

However, Mr Clinton's pledge yesterday threatened to add to tensions in western policy on Bosnia, after he insisted the troops would only operate under Nato, not UN, control, and stressed that any deployment would need full authorisation by Congress.

He said: "It [the deployment] has to be enforced or, if you will, guaranteed, by a peacekeeping force from Nato, not the United Nations, but Nato."

Diplomats yesterday warned that the US insistence on Nato control was likely to be a significant stumbling block, given the insistence of Mr Boutros Boutros Ghali, UN secretary general, that peacekeepers in Bosnia must be under UN control.

A UN diplomat yesterday said: "This is a very fraught issue. Discussions have been continuing for a long time, but it remains a big sticking point."

Mr Boutros Ghali yesterday met Russian, British and French officials, apparently to discuss the issue.

British and French diplomats yesterday reiterated that peacekeeping troops would probably need to be under both Nato and UN, in spite of a widespread recognition that Nato is best equipped to run a peacekeeping operation.

Mr Clinton's promise of troops for Bosnia came after he met Bosnian President Alija Izetbegovic. In spite of Mr Izetbegovic's demand that the US launch air strikes against the Serb and Croat forces to break the siege of Sarajevo and add weight to his attempt to wrest more territory in the Geneva peace negotiations, Mr Clinton refused to set any deadline for air strikes.

Meanwhile Mr Les Aspin, US defence secretary, has cancelled plans to visit Sarajevo next week because of the delay in the Bosnian peace talks, the Pentagon said yesterday.

Mr Aspin will meet US and European defence officials and experts in Brussels on Saturday and make a speech on Sunday morning to the International Association of Strategic Studies.

Nafta trade zone boost for Perot

By Nancy Dunne in Washington

THE US Commerce Department has approved the establishment of a free trade zone centred on a cargo-only airport near Fort Worth, Texas, which would boost a 20,000-acre development project owned by the family of Mr Ross Perot, the billionaire.

The new Alliance Airport and the surrounding area is envisioned as a crossroads for a export boom for products going on to Mexico and the rest of Latin America.

Mr Perot, a leading critic of the North American Free Trade Agreement, is a minority stockholder in Hillwood Development, which plans to lease land and buildings surrounding the airport to importers seeking more favourable tariff treatment.

Mr Perot's son, Mr Ross Perot Jr, is the majority stockholder and a supporter of Nafta. If the Nafta is approved by the US Congress, the airport project will benefit from its location as a trade hub. If it fails, the free trade zone designation is even more valuable.

The project is expected to bring thousands of new jobs to a sparsely-populated area of Texas. Mr Perot, an independent presidential contender last year, has written a book enlarging on his view that the Nafta will cost the US economy thousands of jobs.

The Dallas Morning News said the "contradiction" between the positions of the father and son has "prompted some critics to question whether the former independent presidential candidate is playing both sides of the free trade issue".

The US has 193 federal free trade zone projects, which let domestic business activity take place as if outside US customs territory. No duties or quotas are charged on re-exports; customs duties and federal excise taxes are deferred and sometimes lowered on finished products which emerge into the US market.

The senior Perot is not a typical entrepreneur, said one Texas observer. He made his fortune not through manufacturing or trade but through US government contracts with his computer business.

His son, in requesting the free trade designation, said Nafta would "benefit the US economy by expanding trade opportunities, lowering prices, increasing competition and improving the ability of US companies to exploit economies of scale."

NEWS IN BRIEF

Microsoft and Toshiba in Windows deal

TOSHIBA, the Japanese electronics company, has agreed with Microsoft, the US computer software company, to co-operate on Microsoft's future Windows operating system software for new portable computers, writes Michiyo Nakamoto in Tokyo.

The two companies will develop operating systems for notebook computers and hand-held PCs. Microsoft will develop and hold the licence for the software based on Microsoft At Work, its operating software it is developing to connect office automation equipment, such as fax machines and copiers, to computers. The first such product is expected to be launched next year.

French farm protest called

France's largest farm union, the FNSEA, called for a nationwide day of protest on September 20 to press the European Community to renegotiate the Blair House farm trade agreement with the US, Reuter reports from Paris.

Mr Luc Guyau, the union's leader, said the protest would be on the day EC foreign and farm ministers were due to discuss the pact in Brussels.

Mr Peter Sutherland, Gatt secretary-general, has warned that reopening the Blair House draft agreement would endanger a December 15 deadline for concluding the Uruguay Round of global trade liberalisation talks. He said yesterday the talks would be in crisis unless quick solutions were found to outstanding issues.

Proton's Vietnamese venture

Proton, Malaysian car maker, is to participate in an assembly joint venture in Vietnam with Mitsubishi of Japan and a Vietnamese state company, writes Kieran Cooke in Kuala Lumpur.

Proton, which already co-operates with Mitsubishi in Malaysia, will have a 25 per cent stake in the project. Proton said the venture would concentrate initially on assembling Mitsubishi-made minibuses for the Vietnamese market. Later, Proton cars would also be assembled there. The project's total investment capital would be $50m.

Obstacle for Chinese bikes

The EC imposed yesterday permanent duties of 30.6 per cent on exports of Chinese mountain bikes alleged to be under-priced, Reuter reports from Brussels.

The duties will be effective from Saturday, according to the EC's official journal, replacing provisional duties of 34.4 per cent imposed in March.

Local manufacturers complained that the Chinese bikes were undermining their market. The Commission found that Chinese prices undercut EC prices by a weighted 59 per cent. The duties will be on all Chinese bicycles, not just the large-tyre, mountain variety.

Cuban private enterprise to return

Cuba took another cautious step towards establishing a mixed economy yesterday when its communist party government authorised limited, individual private enterprise in a wide range of trades, crafts and services, agencies report from Havana.

The move, decreed by President Fidel Castro, lifted a virtual state monopoly of production, employment and sales in Cuba. Cubans predicted the return of private vendors and tradespeople who had disappeared after the last brief relaxation, ended when the usual state control of all economic sectors was re-imposed.

Argentine journalist beaten again

Mr Ernán López Echague, a journalist on Argentina's opposition newspaper Página/12, has been attacked for the second time in two weeks, in an apparent wave of attempts to intimidate journalists, John Barham reports from Buenos Aires.

Mr López Echague was picked up early on Thursday by a group of assailants, bundled into an unmarked car and taken to empty land, where he was beaten unconscious.

Last month, two men had beaten him and cut his face with a switchblade, cursing him for investigating allegations that the ruling Peronist party uses hired thugs as "security guards" at rallies so as to prevent heckling.

Gaza looks to its worst problem for its best hope

Julian Ozanne on how a public works strategy could kickstart the economy

BEDOUIN women dressed in flowing *black cloth* shepherd their sheep across a disused airstrip, overgrown with weeds, in the economically impoverished and underdeveloped Gaza Strip. *Like* much of the infrastructure that will be inherited by a Palestinian authority the 300m airstrip, with no terminal buildings, has suffered from years of neglect during 26 years of Israeli occupation.

Nowhere are the gaping infrastructural needs more apparent than in the rubbish-strewn and densely populated refugee camps of Gaza – home to at least 260,000 of the 780,000 Palestinians crammed into the 365 sq km that make up the Strip.

It is in Gaza, far less developed than the West Bank, that the political peace agreement between Israelis and Palestinians could be made or broken by economic developments. Failure to meet economic *expectations could backfire* and fuel Islamic fundamentalist groups which reject the peace accord.

In the filthy Jabalya camp, crowds of unemployed Palestinian youths gather in the afternoon on the dusty roadsides to escape the heat and claustrophobia of their tiny shacks. Donkey-drawn carts carrying oil drums of water and crates of vegetables work their way along streets where the stench of open sewage and contaminated water is everywhere.

Economists agree that sewage, water and housing are the priorities facing the Palestinian authority and external donors, despite a PLO decision not to dismantle the refugee camps until talks on a final settlement within three years. A programme of public works will be critical to alleviate a *male unemployment rate of 62* per cent, provide jobs for a population growing at 4.6 per *cent and create the infrastruc*ture needed to encourage wealthy Palestinian, Arab and *Israeli businessmen to invest.*

Mr Alex Pollock, an economist with the United Nations Works and Rehabilitation Agency in Gaza, said nearly all Gaza's infrastructure is "either missing or in a deplorable state. We are talking about scrapping most things and starting again." But he believes an aid-backed public works development strategy for a labour force with proven skills acquired in Israel's construction sector could quickly alleviate poverty.

"Gaza's best assets are its slum conditions, its over-population and its international goodwill," he said. "Its worst problem is its best hope – *because a well-funded public* works programme could immediately provide jobs, alleviate *suffering and defeat political* opposition."

A draft World Bank report *says external official financing* of $1.5bn-$1.75bn will be needed to fund the public sector in both *Gaza* and the West Bank for a five-year transition period, creating 12,000 jobs. The report says public sector financing needs in the short and medium term will centre on water and waste-water, transport, power and solid wastes. "The upgrading of physical and social infrastructure, a key priority for improving living standards of the population and for stimulating private sector development, would have to be undertaken mostly by the public sector," the World Bank says.

Many of Gaza's pot-holed roads require urgent attention. In many parts of the strip, especially around the villages, *most roads* are not even metalled. The airport will have to be upgraded to carry at least *light passenger traffic between* Gaza and the West Bank and add some freight facilities. But economists *warn against* grandiose multi-million dollar projects – likely to be urged on an incoming Palestinian authority for political and nationalistic reasons – such as a deep sea port, an *international* airport and a water desalination plant.

Housing will also be a priority, with Palestinians estimating that at least 120,000 new units must be built in the territories within a decade. So far Palestinian and international economists are agreed that housing should be left to the private sector, with the government assisting with a revolving, low-cost loan scheme.

Much of the transitional economic phase will depend on success in job-creation. Israel estimates the Gaza work force at 125,000, but Palestinians say the figure is closer to 200,000. At least 10,000 new entrants join the Gazan work force *every year*. Economists say that the public works programme will not soak up the *high unemployment*.

Continued migrant labour to Israel, under a properly negotiated Israeli-Palestinian *frame*work, will be vital to the Gazan economy. It has plummeted from 80,000 in 1987 (45 per cent of the work force) to 20,000 today largely as a result of restrictions imposed by Israel.

Ultimately, private sector development will have to be the main job-creator. Gaza's industrial base, *however*, is limited. The biggest industrial firms are the 7-Up bottling plant, a citrus packaging *fac*tory and a textile plant which get sub-contracting work from Israel. No company employs more than 70 workers and no company has an annual turnover in excess of $1m. Most of Gaza industries are family-owned or small informal sector businesses with a maximum investment capital of $250,000.

A *huge gap* in management and executive skills for medium- and large-scale companies will have to be filled in Gaza by the Palestinian expatriates who have worked mostly in Gulf Arab *states and* who the World Bank hope will provide an extra $200-$250m of private capital into the *territo*ries over the next five years.

Another constraint will be the high price of land in the strip. In Gaza city, which has only four buildings as high as 10 storeys, a *dunum* (1000 sq m) sells today for Shk1.6m (£370,000). Apartments of 60sq m sell for $55,000.

Its not all bad news. A Palestinian *self-government* will inherit a decent education and health system with good teach*ers and medical staff – in large* part due to the efforts of UNWRA, which devotes a sub*stantial part of its* $84m annual budget for Gaza on the two services. Primary and secondary education and *health* will, however, have to be expanded.

Also on the positive side of the economic equation is the bureaucracy in Gaza. In all, 12,000 Palestinians work in the Gaza departments of the Civil Administration and UNWRA, *many with years of experience*. Therefore, a Palestinian authority could, initially, move *into the buildings of the Civil* Administration in Gaza City and take over a slim and efficient *administration*.

More an outpost than a capital for self-rule

Jericho and the West Bank

THE DUSTY, palm-fringed town of Jericho, in the floor of the barren Jordan Valley, seems an unlikely choice for a Palestinian administrative capital.

It is small, dry and baking in summer. It lacks telephone lines, roads and power. The biblical town's population is a mere 16,000 and its biggest building the shabby two-storey, 70-roomed Hisham Palace hotel.

Yesterday workers were busy plastering over cracks and painting the walls in anticipation that the hotel will become the headquarters of the Palestine Liberation Organ*isation. Residents are con*vinced Mr Yassir Arafat, PLO chairman, will move into a luxurious *white-washed villa* trimmed with green window frames and ample lush gardens on the outskirts of the city.

They also say the PLO could take over the offices of the Israeli military run administration which was once a British prison and the headquarters of the Jordanian government until 1967.

But Palestinian officials, who are negotiating to have Israeli troops withdraw from a 100 sq km area around Jericho, say the PLO will keep its political and administrative headquarters in occupied-Arab East Jerusalem. Although a cabinet headed by Mr Arafat might meet in Jericho, the town will, in essence, be an outpost for the *administration of interim* self-rule over the whole West Bank.

Palestinians know it is the West Bank, with its more fertile and abundant agricultural land and better natural and human resources, which could lay the basis for real economic growth. The West Bank economy is dominated by agriculture and tourism which contribute about 80 per cent of gross domestic product.

The 5,500 sq km of *the* West Bank have many *similar* infrastructural needs to those of the *Gaza Strip*, especially in sew*age and solid waste manage*ment. But it is considerably better off, largely as a result of *Jordanian administration until* 1967 and a deeper integration with the Israeli economy since.

In 1991, the last reliable figures available, the 1.1m residents of the West Bank had gross national product per head of $2,000, compared with Gazans' $1,230. Its physical and social infrastructure is less dilapidated, it has fewer refu*gees in squalid camps*, a lower dependence on Israel and direct access to the Jordan *market over the Allenby* bridge.

According to the World Bank, a greater proportion of Palestinians complete higher education than in neighbouring Arab states – 18 college graduates per thousand people. Two of the Universities in the West Bank – Bir Zeit, near Ramallah and An-Najar in *Nablus – are counted among* the five most distinguished higher education institutions in the Arab world.

However, since the financial crisis in the PLO, the eight universities of the territories have had difficulty raising the $25m needed to run them and some salaries have not be paid for months.

For tourism the West Bank is well endowed. There is the old city of Jerusalem, the *Dome of the Rock Mosque*, the old walls of Jericho, the Mount of Temptation, the Jordan River, the *shrines* of Bethlehem, *souks*, castles and a strong indigenous craft industry.

With two power companies which buy power from Israel, the West Bank also has the rudiments of an independent *power industry*.

Mr Hisham Awartani, an economics professor at An-Najar University, says the greatest challenge for an incoming Palestinian administration will be making the right policy choices and creating the appropriate institutions.

The PLO, he warns, must *recast* itself to face the challenge. First, he says, it must resist socialist voices calling *for a state-controlled economy*, and nationalist voices demanding economic isolation from Israel.

"If the PLO creates a state controlled economy we are doomed," he said. "Much will depend on how vulnerable the PLO is to trade unions, labour groups and old time socialists."

It must also move swiftly to create transitional institutions of professionals and technocrats capable of tackling the *problems and streamlining a* co-ordinated strategy. International technical assistance will be vital to plug the management gap of the PLO.

"Palestinians have great experience in democratic building of institutions, and the PLO must realise this before they succumb to appointing their own people to the admin*istration*."

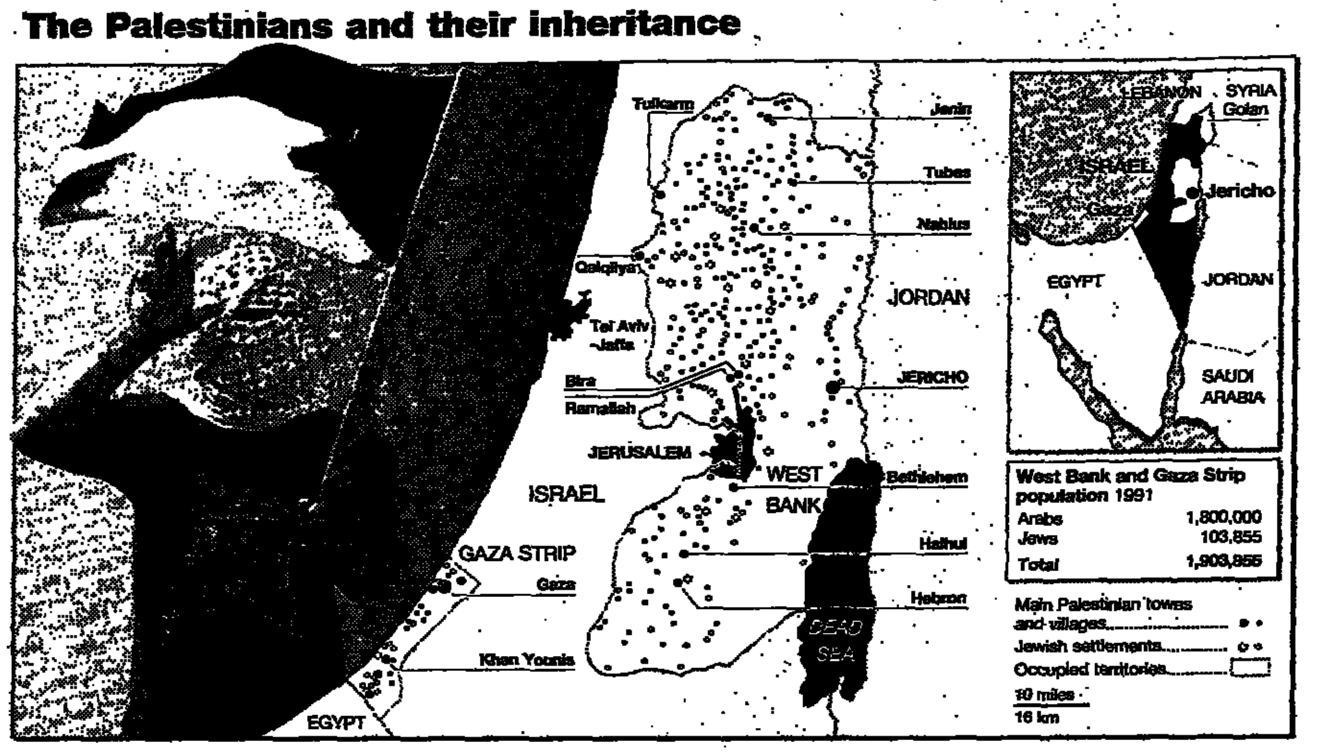
Other policy challenges will be to introduce, nearly from scratch, a financial system after years when the only licensed bank has been the Cairo-Amman bank.

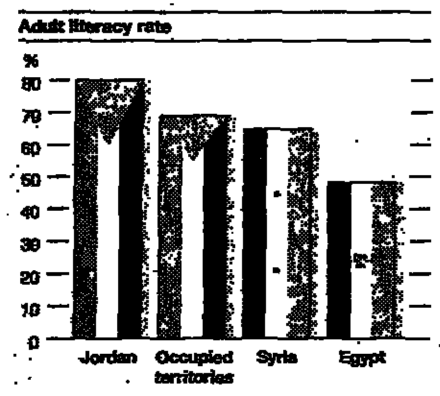
This will entail creation of a new legal and administrative framework of commercial and property law providing for a *mechanism for enforcement on* loan defaulters. A new investment and licensing code will *also have to devised*.

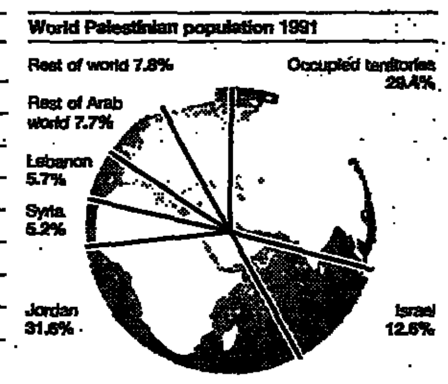
Taxation will also have to be increased to sustain the administrative structures – even given Israel's undertaking to return tax revenues presently collected from the territories – and a new trade policy must focus on boosting exports to other destinations than Israel to reduce a massive trade defi*cit*.

Julian Ozanne

The Palestinians and their inheritance





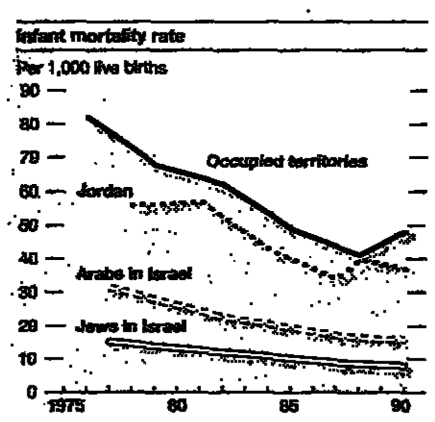


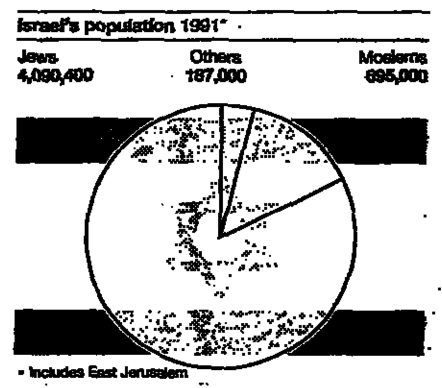
Economic comparisons 1991

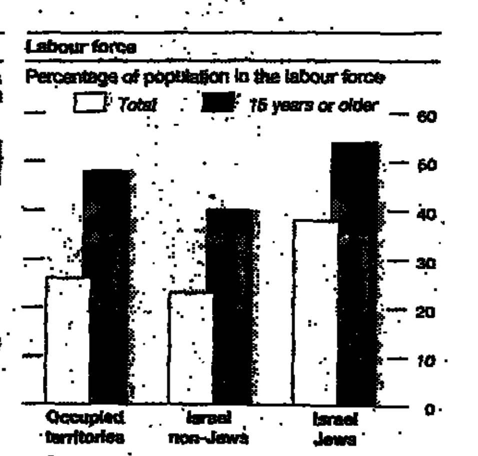
	GNP ($m)	GNP ($ per capita)	Exports /GNP (%)	Imports /GNP (%)
West Bank*	2,134	2,175	10.5	29.3
Gaza*	864	1,310	13.3	34.8
Combined*	2,998	1,800	11.3	30.9
Israel	58,989	10,878	30.6	46.2
Jordan	3,764	988	29.8	68.2

*Average of 1990 and 1991.

In 1991 almost a third of the GNP of the West Bank and Gaza derived from employment in Israel of residents of the occupied territories.







Source: Palestinian Society in Gaza, West Bank and Arab Jerusalem, by Marianne Heiberg and Geir Øvensen, FAFO Report 151. The Arab-Israeli Conflict: Its History in Maps, by Martin Gilbert. The Institute for Social and Economic Policy in the Middle East, Harvard University.

Public services in Occupied Territories inadequate

THE World Bank's draft report on "Developing the Occupied Territories – An Investment in Peace" describes serious shortcomings in the infrastructure to be inherited by an incoming Palestinian self-government.

"The provision of public services *and physical infrastruc*ture is highly inadequate," the report says, because of the state of public finances in the occupied territories. First, neither the Israeli military-run Civil Administration nor the utilities borrow to finance investment and are forced to fund investments from revenues. Second, the bodies have *inadequate revenue resources*. Third, there is a "lack of coherence in sectoral policies and programmes".

The bank lists the inadequacies as follows:

- Water: Intermittent supply leads to contamination of water from the intrusion of polluted water into the networks.
- *Power: Some 138 Palestin*ian villages have no permanent, full-time electricity supply.
- Sewage: Solid waste collection and disposal "is grossly inadequate, raising serious health and environmental concerns". There are no modern sanitary landfills and no satisfactory waste water collection *or treatment system*.
- Roads: "The physical condition of the roads serving the Palestinian population has deteriorated to the point where without immediate rehabilitation, past investments may be lost completely."
- Communications: There is a large suppressed demand with the backlog for telephone con*nections exceeding 12,500 in* the West Bank.
- Educational facilities are poor. The health infrastructure is less in need of repair although hospitals and clinics are not efficient.

● WESTERNERS JOCKEY FOR POSITION

Lure of contracting bonanza

By Andrew Gowers

THE occupied territories may seem an unpromising location for western companies to expect the beginnings of a Middle East contracting bonanza. Yet that is the gleam in the eye of a number of western and Israeli businessmen.

*It is certainly the outlook of those pre*pared to take a long view, not just of the prospects for engineering and construc*tion contracts in the territories but also of* the wider regional opportunities that may follow.

The immediate focus of attention is the programme in the West Bank and Gaza being prepared by the World Bank in consultation with *Israel*, the Palestinians and potential Arab and western donor countries.

According to a confidential *draft report* by the Bank, this should involve a $1.35bn (£870m) public works programme over the next five years.

If its assumptions are correct, the Palestinian authority expected to take over initially in Gaza and Jericho will soon be offering opportunities to international contractors in road-building (the Bank estimates $330m is needed up to 1998), power ($350m) and water and sewage treatment ($280m).

When the period of interim self-rule is up, there will be potential for more ambitious schemes such as upgrading power generation for the territories ($600m), possibly along with moves to integrate the regional electricity grid.

Among western governments and companies – especially European ones – the jockeying for commercial advantage has already begun.

Western governments have agreed to *work on feasibility studies for projects* in particular sectors and these sometimes coincide with a search for commercial spinoffs.

Italy is working on ground water and waste disposal projects that could yield business for its engineering concerns; France is pursuing the *transport sector*, with an eye to road and rail projects for its hungry construction and railway com*panies such as Alsthom Atlantique*.

This pattern – whereby western countries contribute expertise in exchange for *contracts – will almost certainly continue* as wider regional opportunities open up.

The World Bank, Middle Eastern gov*ernments, and Arab and Israeli business*men have in recent months been working up a more far-reaching blueprint for regional co-operation which could eventually revolutionise prospects for business in the Levant.

At its most ambitious, this could involve projects which still seem to belong in the realm of fantasy, such as a canal jointly run by Israel and Jordan linking the Red Sea with the (lower-altitude) Dead Sea and generating hydroelectric power to run a giant water desalination plant. Discussed at the multilateral talks Jordan is so keen for a new source of water that it wants to get on with it even before a peace deal with Israel is signed.

Whether or not it stands a chance of becoming reality, western companies are beginning to factor the broad possibilities into their equations. In many cases, their initial jumping-off point is Israel, already undergoing something of an infrastructure boom. The Jewish state will in any case be linked to the Palestinian entity in a free trade zone if the World Bank and other donors have their way, so it too stands to benefit from an upswing in activity in the West Bank and Gaza.

The Israeli government is dangling the prospect of business in the territories and in Israel as a carrot to lure European and other countries into providing financial support. During his Brussels meeting last week with Mr Jacques Delors, European *Commission president, foreign minister* Shimon Peres suggested that EC member states might care to encourage their com*panies to invest in or trade with the* region by providing them with generous credit guarantees.

In Tel Aviv, the Israeli Federation of Chambers of Commerce is receiving unprecedented international attention, as companies *hitherto deterred by the sec*ondary Arab boycott – which seeks to penalise those who do business with *Israel* – scout for opportunities. Two months ago, it hosted the first ever delegation to Israel from the Keidanren business organisation of Japan, whose companies have long shunned Israel.

Mr Dan Gillerman, the federation's ebullient president, points to other straws in the wind:

- French companies are actively pursuing a contract to build a new railway between Eilat and Tel Aviv, a link that could eventually become the nucleus of a bigger regional railway between Riyadh and Damascus;
- Siemens of Germany is looking into the potential for linking regional electricity grids – a lucrative project that would also save Israel and its neighbours billions of dollars by eliminating waste;
- Mr Gillerman has been discreetly extending his tentacles into the Arab world, meeting regularly with Palestinian and Gulf Arab businessmen. His goal: to create a private sector "Middle East fund", a consortium of Arab, Israeli and other financial institutions that would provide seed money for infrastructure projects such as toll roads.

● INCREASED REGIONAL CO-OPERATION

Rapid response to call for aid

By Mark Nicholson in London, Lionel Barber in Brussels, Will Dawkins in Tokyo and George Graham in Washington

PENS HAVE yet to be uncapped for the signing by *Israel and the Palestinians* of an outline agreement on self-rule. But donors are already *addressing* what aid will be necessary to create a functioning Palestinian administration, and an economy integrated with its neighbours and a wider world.

European Community foreign ministers will tomorrow consider plans for an Ecu500m (£383m) aid package to the West Bank and Gaza Strip – a package which aims to capitalise on the historic breakthrough between Israel and the Palestinians and consolidate the EC's importance as a donor and trade partner in the Middle East.

Scandinavian countries last week pledged $140m in aid to the territories over the next four years. The US is seeking to "facilitate contributions" to the new Palestinian authority, though administration officials have made clear that they do not expect to be the principal source of finance.

Japan "would have to help with restructuring in the region" once the accord is signed, Mr Tsutomu Hata, the foreign minister said yesterday. And the Gulf states – even Kuwait, which expelled some 400,000 Palestinians after the Gulf war – have committed themselves in principle to pro*viding money*.

In total, according to estimates based on a draft World *Bank* report and the views of other economists, the new Palestinian "entity" will require external financing, both in aid and private capital flows, of over $4bn in the next decade.

This sum, according to Mr Stanley Fisher, an MIT professor who helped produce a Harvard University report on the economy of the territories, represents the likely maximum the Gaza Strip and West Bank could absorb. "No running economy can take in more than about 10 per cent of GDP," he says, putting the combined gross domestic product of the West Bank and Gaza strip at around $4bn.

This would also be a greater sum of aid, proportionate to the size of the territories' economies, than the original post-war Marshall Plan for Europe. Most to the point, according to several economists, such a sum is likely to place Gaza and the West Bank – if adeptly managed – on a sound economic footing. "All the ingredients for growth are there," says Mr Fisher.

As important as the gross sums of aid, however, will be the promptness and co-ordination of their disbursement. Speed, *from* the Palestinians' point of view, is paramount. Senior Palestine Liberation *Organisation* officials stress that they will need an instant influx of aid to set up administration of Gaza, Jericho and their responsibilities in the West Bank. Thereafter will come the task of creating the infrastructural springboard for the "entity's" economy.

But co-ordination is perhaps more vital.

As a first step, officials from the PLO, Israel and its Arab neighbours will meet in Washington on September 20 *to dis*cuss creating a central fund to direct international assistance, under the auspice *of the World* Bank, whose economists have already created a detailed plan for regional *economic* development. Under its statutes, the Bank can lend only to member countries – *which the territo*ries would not be – and is seeking ways around this hurdle.

Equally important, according to Mr Fisher, will be the prompt *establishment* by the Palestinians of their own aid co-ordinating body. "The Palestinians have *to* have *all* the potential donors come to the same address," he says, recalling the scrambling confusion which attended some aid offers to east Europe.

But, swift as the initial response of the EC, the World Bank and others has been, shadows already hang over co-ordination of the international aid effort. It is unclear, for instance, how the EC package will be aligned with wider international attempts *to cre*ate a viable economy in the territories, with roads, water, and tele*communications*.

Japan has already contacted the EC about the Brussels *plan. But senior* EC officials say there has so far been no contact with the US, and are worried about a repetition of the problems with the co-ordination of aid to Eastern Europe *and Russia*.

What already looks clear, however, is the determination of donors to help this historic opportunity succeed – not simply in creating a viable economy for a Palestinian proto-state, but in encouraging both better Middle Eastern development and the closer integration of the region's economies with, in particular, those of the EC.

The European Commission's plans for new aid to the occupied territories looked like an unusually nimble reaction to current events.

But in fact, Brussels officials have been quietly working away on a new Middle East policy for months, with the aim being to develop a closer political and trade relationship with Israel and to encourage greater regional co-operation.

NEWS: INTERNATIONAL

Indian central bank warns on spending

By Stefan Wagstyl and Martin Wolf in Bombay

THE RESERVE Bank of India, the central bank, yesterday warned the government in New Delhi that it is in danger of overshooting the borrowing targets set in its wide-ranging economic reform programme.

In its 1992-93 annual report published yesterday the bank said government borrowing in July, the latest period for which figures are available, was running at Rs174bn (£3.6bn) – more than twice the level for the same month in 1992 and more than three times the level at the end of the last financial year in March.

The reserve bank's warning comes amid signs that the government is under political pressure to boost spending on subsidies and other handouts in advance of crucial state elections to be held in November.

Elections are due in four states where the local assemblies dominated by the opposition right-wing Hindu Bharatiya Janata Party were suspended after the sacking of the Ayodhya mosque by BJP supporters. The ruling Congress (I) Party is anxious to avert the danger of the BJP returning to power with increased majorities.

The reserve bank report was generally optimistic about India's economic prospects citing good growth and low inflation. But it expressed "concern" at the rise in government borrowing. Separately, in an interview, Mr C Rangarajan, the central bank governor, said: "We have expressed serious concern to the government at the high level of net credit to the government...we feel that it is now running at a level far above what we regard as a desirable level."

Mr Rangarajan said: "Some strong corrective steps will be required by the government." He said ministers had either to cut spending or raise revenues.

India is finding it difficult to cut government borrowing in line with targets agreed with the International Monetary Fund, which is monitoring its economy. In 1991-92, the first year of reform, the gross fiscal deficit dropped from 8.4 per cent to 6 per cent of GDP. But in the year to March 1993, the deficit fell only marginally to 5.7 per cent of GDP.

For the current year it is running at a similar level, far above the target of 4.7 per cent. Indian officials could face questions about these developments at the annual meeting of the World Bank and IMF later this month in Washington.

Finance ministry officials say the problem is caused partly by a fall in customs revenue due to the slowdown in imports and partly by more spending. Officials also argue that since India's inflation rate is low, delays in cutting the fiscal deficit are not critical.

Officials believe borrowings can be restrained after the state elections. Mr Manmohan Singh, the finance minister, said this week: "For the time being the fiscal deficit is not behaving in the manner we would like...but we can take action once these elections are out of the way."

It is not clear the government will have time to address the problem before the financial year ends in March 1994. Only decisive victories in state polls would put the government of Mr P V Narasimha Rao in a strong enough position to cut spending. If the BJP won Congress MPs would be tempted to oppose cuts to maintain party support.

Jobs rule favours lower castes

INDIA'S ruling Congress (I) party has said that 27 per cent of civil service jobs are to be reserved for socially deprived citizens, writes Shiraz Sidhva and agencies in New Delhi.

But it denied yesterday that the move, announced on Wednesday, was purely for electoral gain with polls due in five states over the next few months.

The announcement came three years after nearly 100 people killed themselves in protest over a similar proposal.

Some 22 per cent of government jobs are already reserved for India's so-called disadvantaged castes.

"We have only fulfilled a promise we made 40 years ago in our party manifesto," said a Congress (I) spokesman, reacting to a warning from the Bharatiya Janata Party (BJP), India's largest opposition party, not to "politically exploit" the "sensitive issue".

The Hindu fundamentalist party supported the government's move, but said "no single party could take credit" for implementation of the recommendations by an official commission 14 years ago.

About 1,000 Bangladeshi communists – their numbers dwindling due to defections – march in Dhaka, the country's capital, yesterday with huge portraits of Mao Zhedong, Stalin, Lenin and Karl Marx. This year is the 100th anniversary of Mao's birth

Japan parties 'raised Y173.9bn'

By William Dawkins in Tokyo

JAPANESE political parties reported that they raised Y173.9bn (£1.08bn) last year, but this is believed to be only a fraction of their real wealth.

The figure, in a home affairs ministry annual survey, is around one-third of the actual amount raised, estimated Mr Masayoshi Takemura, chief cabinet secretary and government spokesman.

It does not cover illicit funding, which the government of Mr Morihiro Hosokawa has pledged to attack with strict controls on party financing, to be tabled before the end of the year. On top of this, political parties are obliged to disclose only the source of donations worth more than Y1m.

Last year's figure was a 6.3 per cent decline from the record Y185.7bn raised in 1991 and the first fall for five years. This is in part a reflection of the impact of the economic slowdown on corporate donors' generosity and partly due to the fact that there was only one election last year, for the upper house of parliament, after several years of frenzied political activity.

Nearly half of the total is donations, with the rest from parties' own fund-raising activities, such as tickets for lavish receptions, subscriptions to party publications or membership fees.

Mr Hosokawa's own Japan New Party, founded in May 1992, put in a spirited start on the fund-raising trail by raising Y609m in the same year. The seven coalition members raised Y84.9bn, said the report.

Singly, the coalition members' fund raising power pales beside the Communist party, which told the ministry that it raised Y33.6bn last year. Curiously, that compares with Y25.5bn raised last year by the LDP, the former government party, many times larger than the Communists.

The Communists' income is unusually high because it includes earnings from its popular newspaper, Akahata or Red Flag. The LDP figure is at the same time deceptively low because it only includes centrally raised funds, and not those raised by the party's factions.

Japanese cut costs of labour

THE economic downturn has forced 60 per cent of Japanese companies to trim employment costs, according to a labour ministry survey, writes William Dawkins.

Cars and steel were among the six out of eight sectors surveyed which told the ministry they had less work in late August than earlier in the summer. This bodes ill for the Bank of Japan's quarterly survey of business confidence, considered the most important indicator of corporate intentions, due out today.

Companies' methods of cutting labour costs included staff relocation, practised by 21.6 per cent of the 1,000 companies surveyed; lending employees to other companies, practised by 11.4 per cent; and temporary lay-offs, in the case of 7.6 per cent. A small proportion, 1.5 per cent, have dismissed people or made early retirements.

So far, Japanese industry has avoided big redundancies, so that unemployment has been contained at 2.5 per cent, according to official figures. Ministry officials believe widespread redundancies are unlikely because companies fear being short of workers when an upturn materialises.

NEWS IN BRIEF

Pakistan central bank in independence move

Pakistan's central bank is expected to be given more independence on monetary and administrative policies in a presidential ordinance due next week, senior officials said yesterday, writes Farhan Bokhari in Karachi.

Plans for greater central bank independence were announced recently in the economic reform programme of Mr Moeen Qureshi, the caretaker prime minister. He is due to leave office after elections on October 6.

The proposals under consideration include allowing the State Bank of Pakistan to recruit its own staff members without seeking clearance from the federal government in Islamabad, new powers to control the money supply and independence in regulating the activities of commercial banks.

The new measures are meant to control the chronic problem of a large budgetary deficit, caused by several years of uncontrolled government spending.

The new ordinance is expected to allow the central bank to clearly set the limits for deficit financing without government interference, Mr Mohammad Yaqub, the bank governor said this week.

Abiola to return 'on Sunday'

Thwarted presidential candidate Moshood Abiola, widely believed to have won Nigeria's annulled June election, will return home on Sunday from abroad where he has been lobbying for foreign support, his deputy said, Reuter reports from Lagos.

"We decided that it is time he should return home," Mr Baba Gana Kingibe, Mr Abiola's running mate in the election said. Mr Abiola has been abroad since August 3 canvassing international support for his claim to the presidency and has twice postponed returning to Nigeria for fear of his security.

"We advised him to come back on Sunday because we think it is safe for him to do so and he has agreed," Mr Kingibe said.

Aid worth $119m for Cambodia

International donor countries pledged $119m (£77m) in new financial aid to Cambodia to help Phnom Penh rebuild its war-torn economy, Reuter reports from Paris.

The aid package was announced yesterday at the end of a two-day meeting of the International Committee for the Reconstruction of Cambodia which includes 31 donor countries and 11 international organisations.

The assistance came on top of $880m granted to Phnom Penh in June 1992 at a ministerial conference in Tokyo.

The fresh donations included $20m from Japan and FF62m (£7.08m) France pledged at the start of conference on Wednesday.

China, UK end latest HK talks

China and Britain closed their 11th round of talks on Hong Kong political reforms yesterday agreeing to meet again in two weeks as they strive to resolve a bitter dispute over democratic change, reports Reuter in Beijing.

The official Xinhua news agency said the next round of talks would take place in Beijing from September 26-27, close to the time when the two countries' foreign ministers are expected to meet at the United Nations General Assembly in New York.

The talks, which have dragged on since April, are aimed at working out differences over Hong Kong Governor Chris Patten's plans to implement limited democratic reforms in the British colony before handing it back to Beijing in 1997.

The Patten proposal has enraged Beijing, and the talks have struggled along for months with no apparent sign of progress.

N Korea rejects N-talks

Negotiations to resolve suspicions about North Korea's nuclear programme reached an apparent impasse yesterday after Pyongyang rejected talks on the issue with Seoul, writes John Burton in Seoul.

North Korea said it would not hold discussions with South Korea until Seoul accepted conditions it has already rejected.

The demands from Pyongyang include Seoul ending military exercises with the US. It also says it wants South Korea to stop seeking international co-operation on the nuclear issue, apparently to isolate Seoul from US support.

Seoul wants to conduct mutual nuclear inspections, which the two Koreas agreed to conduct when they signed a non-nuclear pact in late 1991.

Ford plant in US may build new Jaguar

By John Griffiths

THE UK workforce at Jaguar, Ford's luxury car division, will face competition from at least one rival Ford plant in the US to build the new "small" XJ200 saloon for launch in 1998, it was acknowledged yesterday.

Executives at Jaguar's Coventry headquarters said they still considered the UK to be the most likely production centre. The new car is intended to be built at a rate of up to 70,000 a year.

Jaguar said yesterday: "We will have to go to the Ford board with a recommendation as to where it should be built, based on tightly-researched comparisons between the West Midlands and possible US plants."

A decision is still nearly 18 months away, but the centre of gravity of Jaguar's sales this year has started moving strongly towards north America.

Jaguar expects the US to be by far its largest single market this year, and to account for about 14,000 of a projected world total of 29,000 sales. That is twice the likely sales level in the UK, Jaguar's next biggest market.

Performance in the US is being enhanced by an order worth £16m for 500 XJ6 saloons from the Budget car rental group. The order, announced yesterday, gives Jaguar a foothold in North America's huge luxury car rental market. The deal was described by Jaguar's north American president, Mr Michael Dale, as "a major breakthrough".

The 36 per cent rise in US sales so far this year, coupled with an extended summer shutdown while a new assembly line was commissioned, has left Jaguar short of stock and has led to temporary overtime working.

Sales in the UK have also risen this year, by 16 per cent to 4,825 by the end of August, but Jaguar has been unable to escape the effects of the steep decline in the mainland European car market.

Sales have fallen by between 20 and 40 per cent in France, Italy and Spain although the introduction of the new V12 saloon has lifted sales by 10 per cent in Germany. Last year Jaguar's world sales totalled 22,475.

A FORMER Nissan employee who suffered repetitive strain injury after working on the car production line at the company's plant in north-east England yesterday lost an industrial tribunal unfair dismissal claim.

Mr Ken Stoddart worked in the body shop, using a portable spot welder which had to be held with one hand and fired by pulling a trigger with the other.

He told yesterday's Newcastle hearing that last year, after complaining about wrist pains, he was referred to the company doctor who recommended he should be found alternative work in the plant.

Nissan told the tribunal it tried every avenue to find him a new position.

Lehman Bros faces writ for £100m

By Norma Cohen, Investments Correspondent

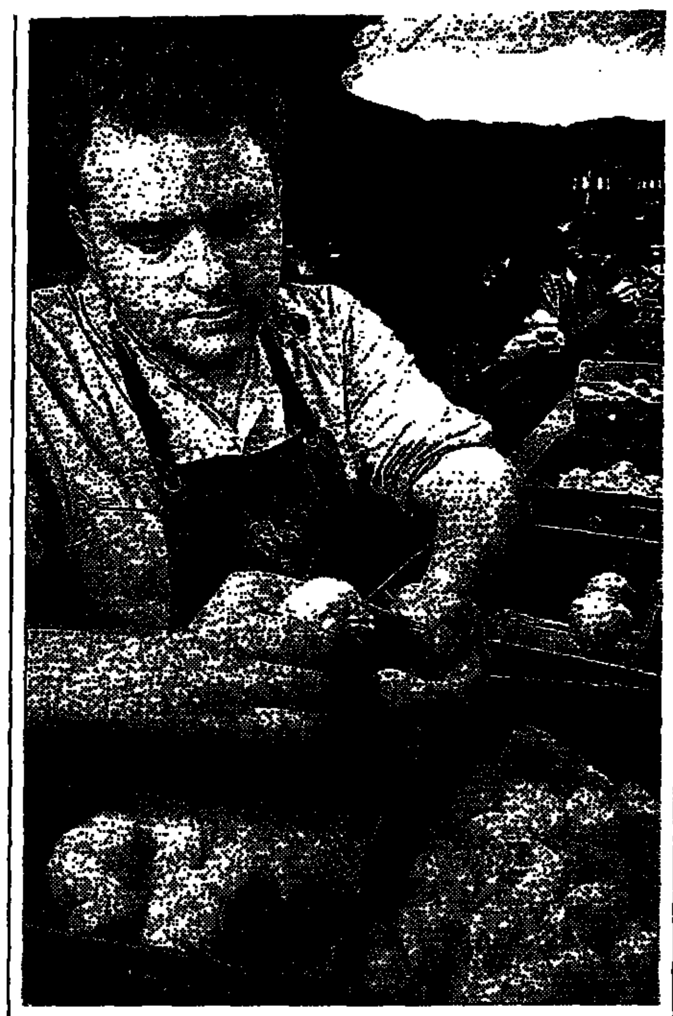
Administrators to the manager of the Maxwell company pension funds have filed a writ seeking £100m from Lehman Brothers International, the US investment bank owned by American Express.

The writ alleges that officials of Lehman Brothers International entered into a series of "stock lending" agreements which it knew were highly unusual in which Bishopsgate Investment Management, the Maxwell-owned fund management company, borrowed increasing amounts of US Treasury bills.

The writ alleges that as early as October 1990, Mr Mark Haas, Lehman's Head of international stock lending, knew that stocks being offered as collateral for the borrowings of US Treasury securities were in fact those of the pension funds. The writ details a conversation between Mr Haas and Mr Timothy Daily, then head of Stock Lending at fund managers Invesco MIM. Mr Daily was questioning why the Maxwell pension fund investment portfolio managed by Invesco had been turned over to Lehman.

The writ alleges that Mr Haas informed Mr Daily that the stock lending arrangements were not normal and that Robert Maxwell was in financial difficulties.

Lehman Brothers rejected the claim by BIM. "We engaged in bona fide business transactions under a legitimate stock loan arrangement with a regulated counterparty and had no notice of any impropriety."



Colin Beere

An operator assesses fledglings in a factory

EC supports a lost art

By Lisa Wood

THE EUROPEAN Social Fund is giving grants to train long-term unemployed men and women in a lost art – sorting out the males from the females among day-old chicks.

The skills are in such demand that 30 trainees, at present on eight-month part-time courses, have been offered starting salaries of £15,000 a year if they successfully complete the training. An experienced sexer can earn up to £40,000.

Chickens need to be sexed so they can meet customer requirements – males for fattening-up and females for laying eggs.

The skill of sexing has been in decline in Britain and poultry breeders have been hiring Japanese or Korean workers.

Britain in brief

Only seven bids received for 19 pits

Private sector mining companies have bid to operate just seven of the 19 pits put out to tender by British Coal following its decision to close them.

The final tally is even fewer than expected earlier this week, when the deadline passed for the last tranche of five pits to be put out for licensing.

That is because RJB Mining has withdrawn a bid for Easington colliery in County Durham. RJB and British Coal were unable to agree who should bear the costs of pumping water in the area. British Coal will now prepare the pit for closure along with others for which there are no bids.

Three of the 19 are the subject of tenders which involve the use of surface assets only.

The final tally is a blow for thousands of miners who have been made redundant by British Coal, and provides little comfort for the government as it prepares for a fresh round of closures among the 30 pits still operated by British Coal. There has been no interest from overseas mining groups.

Heseltine on way back

MR MICHAEL Heseltine, trade and industry secretary, is set to return to work at the end of this month after a rapid recovery from the heart attack he suffered in Venice in June.

The return of Mr Heseltine, one of the cabinet's most forceful communicators, will boost government hopes of political recovery this autumn from the disasters of the past year.

Mr John Major, the prime minister, will look to Mr Heseltine to carry the government's message to the country in a way that few other ministers are able to manage.

Air season ticket launched

British Midland Airways, the UK independent airline, is introducing a season ticket fare which it claims will save between 37 per cent and 65 per cent for business travellers on busy European routes.

The scheme, called Diamond EuroPass, will entitle business travellers to five fully flexible business class return journeys on any BM direct international route within three months of purchase.

Settlement warning

The Bank of England should be wary about taking on the operation of an equities settlement system because it might interfere with its role as a regulator, a study sponsored by the Corporation of London has concluded.

The City Research Project concluded that the collapse of Taurus had not damaged the reputation of the City as much as some commentators had imagined. In the aftermath of that collapse, the Bank of England had proposed a successor system, known as Crest, which it or a commercial vendor might operate.

The study said there was no reason why settlement cannot be accomplished through independent and competing agencies, such as Euroclear or Cedel which currently aid in the settlement of Eurobonds and international equities.

The study found that like London, other leading trading centres had failed to achieve securities settlements within three days of a bargain being struck.

Lloyd's payments rise

Lloyd's of London is to spend nearly £500,000 on extra payments to 27 business executives who sit on its market and regulatory boards in a bid to improve the standard of management at the insurance market.

Mr Peter Middleton, chief executive, said the changes were necessary to "make sure we can get quality people". He said that including regular fortnightly meetings and background reading, board members could expect to spend between ten and twelve hours per week on Lloyd's matters.

Industry review

Mr Kenneth Clarke, the chancellor, last night announced a review of the role of financial institutions in funding industry, in particular small businesses.

The review, to be carried out by Mr Anthony Nelson, economic secretary to the Treasury, will focus on whether business has access to the funds it needs.

Retail boost

Retail sales rose again last month, but shop managers still lack the confidence to put up prices, a Confederation of British Industry survey showed yesterday.

The CBI said another increase in sales in August was accompanied by the lowest year-on-year rise in shop prices in the 10 years since the survey was first conducted.

Shell chief protests at stores

SOME rural petrol stations operated by large integrated oil companies such as Shell could close if competition from hypermarkets continues unabated, Sir John Collins, chairman and chief executive of Shell UK, said yesterday. Robert Corzine writes.

Sir John said in the company's annual energy review that competitive pressures were undermining the "old public-services undertakings" by which the big oil companies ensured countrywide access to fuel supplies at uniform prices. He said such undertakings were becoming "an untenable anachronism".

● The growth of shopping centres is contributing to the decline in the market share of shops in small town centres, says a report by Hillier Parker, chartered surveyors.

Unlike North America, where shopping centre developments had resulted in the creation of many new trading locations over the last 40 years, shopping centre development in the UK had mostly taken place within existing town centre shopping areas.

Canary Wharf close to rescue

By Robert Peston

THE JUBILEE Line Underground railway extension to Canary Wharf in east London is almost certain to go ahead after months of negotiations between banks and the government over the private sector's promised £400m contribution to the project.

The rescue of Canary Wharf, which was built by Olympia & York of Canada – the world's biggest property developer until it collapsed last year – has depended on agreement being reached with the UK government on building the Jubilee extension.

According to a banker to the project, all material disagreements with the government have been resolved.

Following the agreement on funding the line, 11 commercial banks led by Lloyds of the UK will today announce details of a complicated financial reconstruction of Canary Wharf, which has been in administration under UK insolvency procedures for more than a year. The 11 had lent £600m to fund its construction.

Banks have been prepared to inject new funds into Canary Wharf and provide incentives to potential tenants only if they were confident that the Jubilee would be built. They regard an Underground link to Canary Wharf as vital to its commercial prospects.

Unions protest to ILO on labour law

By Robert Taylor, Labour Correspondent

THE Trades Union Congress has complained to the Geneva-based International Labour Organisation about new UK legislation which allows employers to deny pay increases to employees who refuse to sign personal contracts requiring them to give up their rights of union representation.

Mr John Monks, TUC general secretary, said at the annual conference of the congress in Brighton yesterday that this provision of the Trade Union Reform and Employment Rights Act was "a clear violation of the key ILO convention on the right to organise and collective bargaining". He acknowledged that the ILO lacked the legal powers to force the government to amend the legislation, but said that the congress should keep up the pressure and expose the failure of employment rights in Britain to reach international labour standards.

In recent years the ILO has upheld several complaints from the congress. It has criticised the British government for unilaterally abolishing the negotiating rights of the teachers' unions; failing to put an end to the blacklisting of trade unionists by employers; and allowing the dismissal of workers engaged in lawful industrial action.

The congress is preparing a campaign over the government's scrapping of union rights at its intelligence centre at Cheltenham in western England almost 10 years ago. Mr Monks said the congress would continue to support the unions at Cheltenham. "The freedom to join an independent trade union is a fundamental human right and the Trades Union Congress will not allow that right to be taken away", he said.

Mr Michel Hansenne, the ILO director-general, said at the conference yesterday that "social justice should become a central objective of economic policy".

He added that while fundamental standards such as freedom of association for workers and other basic human rights were "timeless and universal", more specific technical standards such as working hours and laws on health and safety needed to be adapted to changing conditions.

● Mineworkers' union president Mr Arthur Scargill attacked the congress for not calling a strike last October over the government's pit closure plans. "The TUC failed to seize the moment," he told delegates.

A motion was passed calling for the return of the coal industry to the public sector after it is privatised.

THE IRON and Steel Trades Confederation, Britain's biggest steel union, is campaigning for a 10 per cent cut in steel imports over the next three years by urging employers and consumers to buy British steel products. "The union is not asking for any special favours for British production," said Mr Keith Brookman, confederation general secretary. "We will be asking consumers to stop and think before they buy their next washing machine, saucepan and car." The union will also try to persuade municipal authorities controlled by the opposition Labour party to change their purchasing policies.

Minister evades Maastricht lynching

By Chris Tighe

IT WAS, as Hexham magistrate Mrs Muriel Bowman observed, "a procedure we rarely see".

Yesterday's business in the north of England market town was special; a last-ditch attempt to throttle the Maastricht treaty by laying seven charges of treason against the British ministers who signed it: foreign secretary Mr Douglas Hurd and former Treasury minister Mr Francis Maude. The crime of treason under English law still carries the death penalty.

The case had to be considered a serious issue by the magistrate even if some of the audience of media representatives found it comical. The men behind the legal move, businessman and Conservative political economist Mr Rodney Atkinson and Freedom Association chairman Mr Norris McWhirter, earnestly addressed Mrs Bowman.

The statutes they cited were impressive, from the Coronation Oath Act of 1953 and the 1795 Treason Act to the Magna Carta.

"These are seven cases which we have established, because of the signing of the Maastricht Treaty, are contrary to the laws and statutes of the United Kingdom going back over many centuries," said Mr Atkinson.

Mrs Bowman handed the case on to the Crown Prosecution Service for a decision after a three-minute hearing. Mr McWhirter was asked afterwards if he really wanted the two politicians to be executed.

"The Queen can always exercise the prerogative of mercy, provided of course by that time she's not Mrs Elizabeth Windsor, European citizen," he replied.

If their main target was worried, there was no sign of it. Mr Hurd was 300 miles away at a Downing Street Cabinet meeting and was not represented in court.

"I don't think he should quake before the scaffold or anything," said Mr Atkinson reassuringly.

Electricians readmitted amid anger

By Robert Taylor

THE Trades Union Congress voted after an exceptionally bitter debate yesterday for the return of the expelled electricians to the TUC as part of the AEEU engineering union. The electricians, then in a separate union, were expelled in 1987 amid allegations about poaching members of other unions.

Delegates at the annual conference of the congress voted by 4,303,000 to 2,837,000 for the peace formula that should return the electricians to the congress this month.

But Mr Bill Morris, general secretary of the TGWU transport union, said he had no regrets over the savage attack he made on the electricians in which he tore up a written guarantee that the AEEU would abide by congress rules.

"We have been the victims of plundering and pilfering", said Mr Morris. "What has been agreed today by congress is a short-term fudge which won't last. We will have the same drama next year".

It took intervention by Mr John Monks, congress general secretary, to calm the highly charged atmosphere. "I bet the government has loved this", he said of the dispute.

Race probe into legal exam continues

By Robert Rice, Legal Correspondent

IN THE 1991-92 academic year, ethnic minority students taking the British Bar finals exam, which graduates must pass to qualify as barristers, had a failure rate nearly three times that of white students.

However, an inquiry into allegations of racial discrimination at the Bar's law school has found no evidence of direct discrimination, according to an interim report published yesterday.

The inquiry, set up earlier this year and chaired by Dame Jocelyn Barrow, did not rule out the possibility of indirect discrimination and of direct discrimination in some cases.

In the 1991-92 academic year, 44.7 per cent of ethnic minority students failed the exam compared with only 16 per cent of white students.

The results for this year showed an improvement, but their failure rate was still more than double that of white students. Just 12 per cent of white students failed the exam in 1993 compared with 30 per cent of ethnic minority students.

Dame Jocelyn said the committee of inquiry had drawn no firm conclusions about the reasons for the disparity in the pass rate. Research was continuing and the committee would be carrying out a review of 30 cases next month.

While poorer prior academic performance could account for part of the disparity, a substantial difference still remained.

The committee had identified some problems relating to teaching assessment and review, she said. Potential solutions included the introduction of a double marking system and the appointment of external examiners, a review of the scholarship system to ensure funds go to those most in need and improvements in staff-student communications.

Mr Justice Latham, vice-chairman of the Council of Legal Education, welcomed the interim report and its potential solutions.

He said the council was particularly concerned about the financial hardship affecting ethnic minority students, only 25 per cent of whom received grants compared with 44 per cent of whites. The CLE would be pressing for more grants, loans and scholarships to help them.

The committee's final report will be published in March.

Vetting of criminals may be privatised

By Alison Smith

A NEW BASIS for the use of criminal records as a way of vetting employees is suggested by the government in a consultation paper published yesterday.

While the idea of creating an independent self-financing agency to administer vetting arrangements appears likely to command support, the suggestion that it might be privatised will prove more controversial.

The paper also proposes legislation to allow the police to charge for making checks on prospective employees' criminal records, and puts forward new criteria for vetting checks.

These include extending existing rules to protect the vulnerable, such as children and the elderly, who are in contact with individuals who may be applying for posts in childrens' homes other areas of social services and charitable work.

The arrangements for giving information on local police records could be tightened up, to define more closely both what can be disclosed and the posts for which such checks could be made. Local records show convictions for minor offences and cautions which do not appear in the national criminal records system.

The cost of vetting is estimated to be about £12 for a check of national records, while a check of local records as well would cost about £17. The police carry out about 900,000 checks a year, some two thirds of which are for child protection.

While the question of charging raises problems of cost for the voluntary sector, most attention is likely to focus on the idea that such an area as sensitive as vetting, involving access to police records, could be handled by the private sector.

The paper acknowledges that when the House of Commons home affairs committee recommended the creation of an independent agency, it envisaged that this would be in the public sector.

However, the paper argues that in principle there is no reason why the private sector should not run the service, provided that it is strictly monitored.

Comments on the paper are invited by the Home Office by the end of the year.

Rockwell's Czech mate

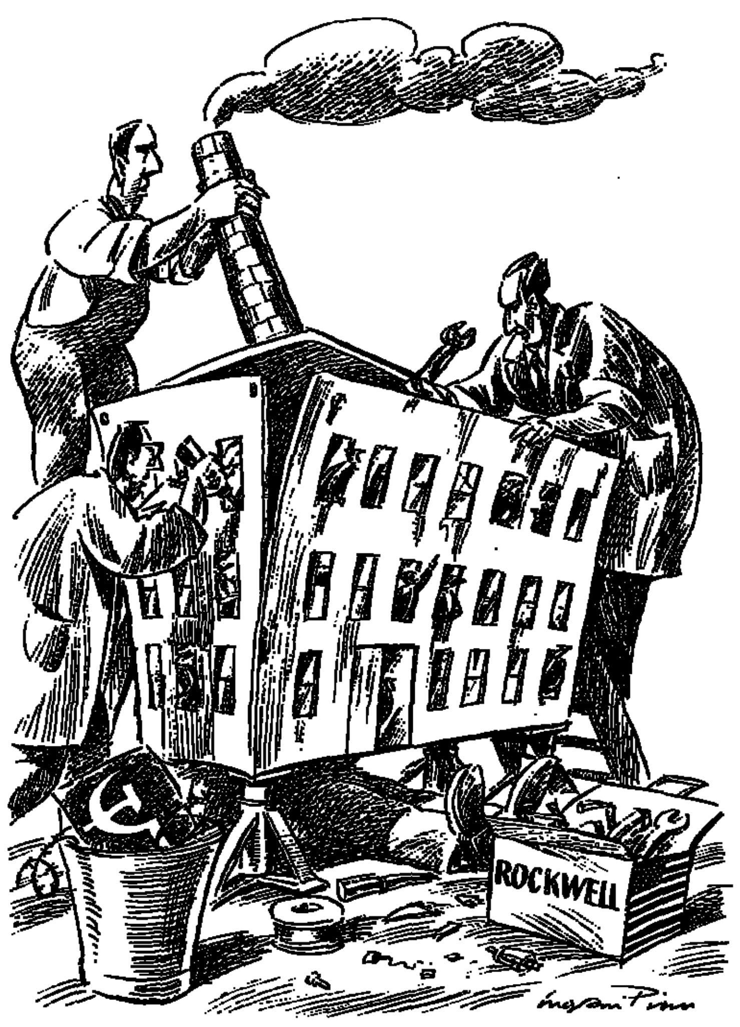
John Griffiths on the problems of establishing ventures in east Europe

There is an unusual door into one of the four plants at Liberec, 80km north-east of Prague, where Rockwell International, the US multinational, is making its first foray into motor components manufacturing in eastern Europe. Flanked by high railings it is big enough to take a bus.

Until the late 1980s it did. The political prisoners the bus disgorged daily assembled door and window mechanisms for the Skoda cars being made – now under Volkswagen's control – at nearby Mlada Boleslav. To minimise sabotage risks, production was reduced to many simple operations, each numbingly repetitive. Today paid employees have replaced the prisoners. But the tedious tasks remain.

The facility illustrates practical hurdles western companies face in seeking to turn formerly Communist state-owned companies into competitive businesses with which they hope to exploit growth prospects in central and eastern Europe. Not least, it helps shed light on some of the wider frustrations VW claims to be experiencing over its commitment – as part of taking over control of Skoda – to help develop a competitive Czech motor components industry.

In the past few days the German company seeking to improve Skoda's productivity and compensate for rising costs has raised Skoda prices and is threatening to import more components from the west. As a consequence, Jan Peer, the Czech-born executive appointed by Rockwell nearly two years ago to run the Liberec operation, is under more pressure to demonstrate the venture can work.



Last month, during his first full meeting with the 462-strong workforce, Peer expounded Rockwell's ambitions for Liberec.

His final slide concluded "and let's have some fun". There was a puzzled pause before nervous grins spread among the dour Czech ranks, speaking volumes about the working culture of plants carrying the legacy of 40 years of Communism. Nevertheless Peer, who moved to the US when he was 18, believes that Rockwell BCS-Liberec, the enterprise's new name (the BCS stands for Body Chassis Systems, one of Rockwell's global divisions), can be a "world class" constituent of Rockwell's global vehicle components business in the next few years.

Until privatisation, Liberec was purely a Skoda components arm. Skoda remains its only customer, supplied with the mechanisms which raise and lower windows, seat slides and sunroofs. But Liberec, which is to supply sunroofs for a high-volume, German-built small car to be launched in 1995, will soon start making sunvisors for another European producer, and is exploring other opportunities. From mid-1994 *it will also benefit from* increased production of an updated Skoda Favorit, the first step of a DM9bn (£3.6bn) investment programme at Skoda leading to new families of cars.

The task ahead, however, is formidable. While Peer was seeing the work force, the bare, wooden floors were echoing to the clatter of a VW team arriving for the second quality audit since he took over. VW has made clear it expects Rockwell to match VW's quality blitz on the Skoda assembly lines.

The challenge for Peer and his team of Czech managers is how best to motivate and organise employees into teams responsible for their own quality while continually looking for improvements – ingredients of total quality management systems becoming the western norm.

Peer says that there are 60 per cent more indirect workers than production employees. "That's two and a half times as bad as in western plants."

Given that Rockwell must make best efforts under the deal to maintain employment for three years, the obvious solution might be to retrain indirect workers for increased production. But Peer expects some to leave rather than accept perceived loss of status or shift requirements. By at least making the offer, Rockwell will not breach the employment guarantee. And such departures could ease the task of restructuring.

"*Over 40 years a whole system* has been built on total mistrust, with managers resistant to taking on any new tasks or being held in any way accountable – there is always a bunch of signatures on any document."

For Liberec to work, Peer says there must be accountability without fear. "Total quality management is built on the principle of openness. So there has got to be a total lack of fear on behalf of the creator of a defect. But workers here were financially punished for creating a defect. What sort of attitudes does that create?"

Uncertainty among Liberec managers has also not been helped by VW importing senior German managers to Skoda. Peer insists that Rockwell will not do the same and when he leaves, his successor will be Czech.

But after some organisational and management changes he is detecting positive attitude shifts. The first work teams are being formed and quality improvement programmes are gaining momentum. Management training has started, with engineers being sent to other Rockwell centres to learn systems.

But plant and equipment problems abound. Some is adequate and even modern – as with some presses – but occasionally it is downright bizarre. The worst horrors will fade from Liberec as part of Rockwell's $6m (£3.8m) investment commitment, which will also see the semi-automation of assembly processes.

But given the employment guarantees modernisation cannot come with a rush. To facilitate it, work is accelerating on bringing in the computer-aided design and engineering systems integral to Rockwell plants in the west, and of which Liberec will form part of a global matrix.

Peer says there are islands of good existing technology, even by western standards. With its low labour rates, it could become a cost-effective supplier of parts for the more complex component systems supplied by Rockwell in the west.

Far from deterred by its Liberec experience to date, Rockwell sees the operations as a potential springboard for other ventures in eastern Europe. VW, for one, hopes fervently it is right.

CHRISTOPHER LORENZ

The dangers of a culture crash

IT is an old trick, played most often in euphemism-loving America, for two companies to describe the takeover of one by the other as "a merger". It makes both top managements feel more comfortable about the deal, and for a while mollifies all the other "stakeholders" concerned. Goliath swallows David, but they tell shareholders, employees, governments and local communities they are "merging".

A few years down the road the truth becomes all too obvious. Not only has the senior partner swallowed the junior, but frequently it has also destroyed most of the latter's special skills – the very things which helped prompt the acquisition in the first place.

From the signs of the past few days, this is all too likely to be the way things turn out once giant Renault and tiny Volvo consummate the "marriage" which they announced this week.

Most French observers certainly expect Renault to dominate. In its main headlines about the deal, the influential newspaper Le Monde toed the official line about "fusion" (merger), but gave the game away on an inside page with a sub-heading which read starkly: "L'absorption par Renault".

For Volvo to go the way of so many acquired companies in the past would be a tragedy. This is not just because of its innovative skills in production and international management.

Far more important is that this would destroy what could otherwise have been the potential for Renault-Volvo, like ABB (Asea Brown Boveri) before it, to become an entirely new European company, capable through leanness, speed and flexibility, of challenging the toughest competition that either the US or Japan could throw at it.

Supporters of Louis Schweitzer, the purportedly internationalist and certainly ambitious head of Renault, will protest that this is exactly his intention.

If so, he has already, in several senses, fluffed his first chance. Instead of locating the head office of the new group at Renault's existing HQ in western Paris – with twin offshoots there and in Gothenburg – he should have made the classic move of a "transformational" leader: broken sharply with the company's past by choosing a fresh site elsewhere.

Since national politics make a move to neutral Belgium or the Netherlands impossible, he could at least have moved the HQ to the other side of town.

Percy Barnevik, the Swede who heads ABB, took such a step by locating its new HQ in Zurich, a short but significant distance from Brown Boveri's old Baden office.

Actions of this kind are far from merely symbolic: they tend to energise management when a company is faced with any kind of radical change. Not for nothing did AT&T move out of its pompous Philip Johnson-designed Manhattan skyscraper when it was forced to revitalise itself. The reformist new boss of troubled Digital Equipment has just taken a similar decision to leave the Massachusetts mill where it has been since birth. If Louis Gerstner is well advised in his battle to stop IBM from sinking, he will abandon the company's plush HQ in leafy Armonk.

Even if it were not swallowing Volvo, Renault would have had to undergo a series of changes

A second immediate step by Schweitzer should have been to declare that the Paris head office will be staffed entirely on merit by a wide range of nationalities, including Swedes, Dutch and Americans. Otherwise, the suspicion must be that it will be dominated by the French. The equivalent worry would apply equally to a Swedish, Dutch, American or British parent company.

It is not too late for Schweitzer to make such a move: he could still change course before January, the date by which he has said the details of senior staffing arrangements will be settled. To hold back until after the subsequent privatisation would lose precious time, and also forego [taking] a step towards internationalisation which would make Renault-Volvo more attractive to private investors. Delaying would also provoke more resistance among his French staff.

The nationality of key staff is closely linked with the question of what sort of organisational and "culture change" processes Schweitzer intends to initiate across and down the company. Even if it were not swallowing Volvo, Renault would have had to undergo a wrenching series of such changes as it emerged from the protective arm of the state. Now, the challenge will be all the greater.

Rather than "fusing" the two cultures, as commentators have suggested, his objective must be to create an entirely new culture, as Barnevik has done at ABB. This will undoubtedly require some existing elements from both sides, such as Renault's emphasis on flair and adventure in design and marketing, and Volvo's greater informality and internationalism.

Injecting each of these into the other side will be hard enough. But if, as at ABB, Renault and Volvo are to develop quickly the vital unifying sense of building a new world together – which requires much more than just using a newly decreed language (English) – they must also borrow from around the world fresh attitudes, disciplines and procedures.

Given the gulf between typical French and Swedish attitudes to such basic management variables as authority, delegation and uncertainty, Schweitzer's task here will be tough indeed. He will find it a little easier if he can bring himself to hold up an Americanised version of Swedish culture – more decisive and entrepreneurial – as a model at which to aim.

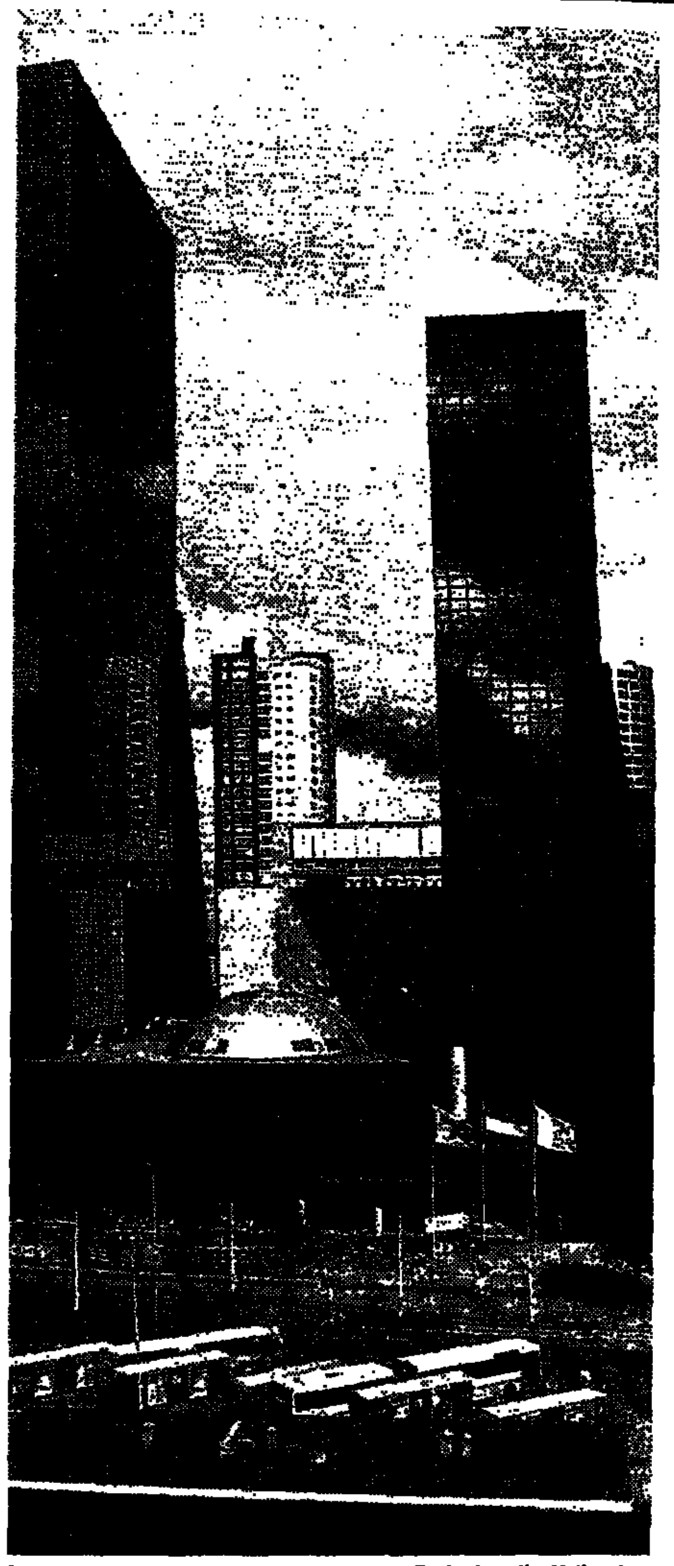
By no means all of this can be done quickly; creating ABB has so far taken Barnevik five years. But for any of it to succeed, Schweitzer needs to get off on the right foot.

In spite of his stumbles this week, he still has time to do so. The best way of doing that would be to behave internally, not just towards the media, as if the deal really is a merger.

FINANCIAL TIMES SURVEY

DUTCH BANKING AND INVESTMENT

Friday September 10 1993



Insurance company offices tower over central Rotterdam: the Nationale-Nederlanden complex, part of the ING Group. Picture by Tony Andrews

Every segment of the Netherlands' finance industry is being penetrated by foreign competition. Amsterdam is having to work much harder than its bigger rivals just to hold its own as a European financial centre, reports Ronald van de Krol, who wrote this survey

Facing up to international competition

AFTER a spate of mergers in the Dutch banking and insurance sector in the early 1990s, the whirlwind pace of change has slowed down sufficiently for the Netherlands' financial community to take stock of its strengths and weaknesses and to prepare for the future.

There is little doubt that the recent bout of consolidation has produced a far stronger Dutch financial sector, particularly when judged by domestic standards. But the problem is that the purely national market no longer exists. Competition at home from foreign banks and insurance companies is fierce, a legacy of the traditional openness of the Dutch market. Increasingly, the challenge of "international" competition is one which Dutch banks and insurance companies are having to face – and win – on their own turf as well as on other European markets.

The same is true of the Amsterdam Stock Exchange. The exchange, which lays claim to being the world's oldest, can no longer afford to feel content with the regular annual increases in turnover volume in Amsterdam, simply because the rise in trading in Dutch shares and bonds in London is showing even faster growth, as is the use of non-Dutch brokers.

In the past, before the advent of data transfer by telephone line and the launch of screen trading in London, Amsterdam was, by rights and by definition, the natural "home" market for Dutch securities trading.

Now, however, the bourse finds itself forced to undertake a radical shake-up of its trading system as part of a new effort to establish itself as the main international marketplace for Dutch securities. With London continuing to siphon off Amsterdam's business, the bourse's ability to protect this basic function is by no means guaranteed, raising important questions about the future role of the Dutch capital in a more highly integrated Europe.

Underlying the Amsterdam bourse's planned reforms is the recognition that it must encourage foreign securities houses to take part in Amsterdam's proposed new screen-based trading system even if they are physically based in London. By trying to inject Anglo-Saxon standards of competition and aggressiveness, the Amsterdam Stock Exchange is, indirectly, challenging Dutch-based banks and brokers to become much more daring themselves by taking larger positions in equities trading and assuming greater risks.

THE future of Amsterdam as a financial centre lies in the hands of Dutch institutions as much as it does in the intentions of London-based players. The question is: how committed are Dutch banks and brokers to Amsterdam, especially now that they too have built up stronger operations in London? After all, technology means that they could as easily trade Dutch shares from the British capital as they can from the Netherlands.

Still, there are obvious virtues in having conservative financial institutions.

Neither Dutch banks nor Dutch insurers have run into the same types of problems that have beset their colleagues in, for example, Scandinavia. And, with the exception of the collapse of Daf, the Anglo-Dutch truck maker, and a few other domestic cases, Dutch banks have so far not found themselves overly exposed to the worsening economic climate in Europe. As a sector, they have also tended to shun the cyclical property market.

This innate caution translates into admirable financial stability. Central bank figures show that the average capital adequacy ratio of Dutch banks stood at 11.5 per cent at the end of 1992, well above the Bank for International Settlements' norm of 8 per cent.

When the banks are forced into disclosing their hidden reserves in the late 1990s, these figures, too, are expected to confirm the sector's overall health.

Because they are big, strongly-capitalised and conservatively-managed, the merged Dutch banks and the new hybrids – the "bancassurance" groups spanning both banking and insurance – can certainly afford further geographic expansion. So far, however, growth abroad is still being hampered by the lack of suitable takeover candidates at reasonable prices, especially in the sector's "home" market of Europe. ABN Amro, the Netherlands' biggest bank, has found it easier to expand by acquisition in the Chicago area than closer to home in Europe.

With the opening up of Europe and the emergence of bancassurance, Dutch institutions are faced with many more opportunities – and dilemmas – than before.

By comparison, the previous round of far-reaching consolidation in the mid-1960s was relatively straight-forward, with separate mergers creating big rival banks, ABN and Amro, and a large insurer, Nationale-Nederlanden.

Acquisitions by ABN and Amro in the mid-1970s produced the famous but now defunct Dutch "four-leaf clover" in which corporate finance was entirely dominated by four home-grown players: ABN and its investment bank Mees & Hope, and Amro and its investment bank Pierson, Heldring & Pierson. It was natural for Dutch companies to go to their Dutch banks for finance, and foreign competition was inconsequential.

All that has changed. Firstly, the main two petals of the four-leaf clover fell away in 1990 with the link-up of ABN and AMRO, and this was followed up in April by the coupling of their investment banks into Mees Pierson.

Secondly, the merger in 1991 of Nationale-Nederlanden and NMB Postbank, the country's third-largest bank, created the Netherlands' biggest exponent of "bancassurance," or "Allfinanz," blurring previous distinctions between banks and insurers. Rabobank, the co-operative bank, and Amev, the insurer, have also embraced bancassurance, though ABN Amro and Aegon, the country's other big insurer, have not.

Finally, foreign competition has penetrated every segment of Dutch finance, from primary bond issues to lending. Anglo-Saxon banks, both those with offices in the Netherlands and those which serve the

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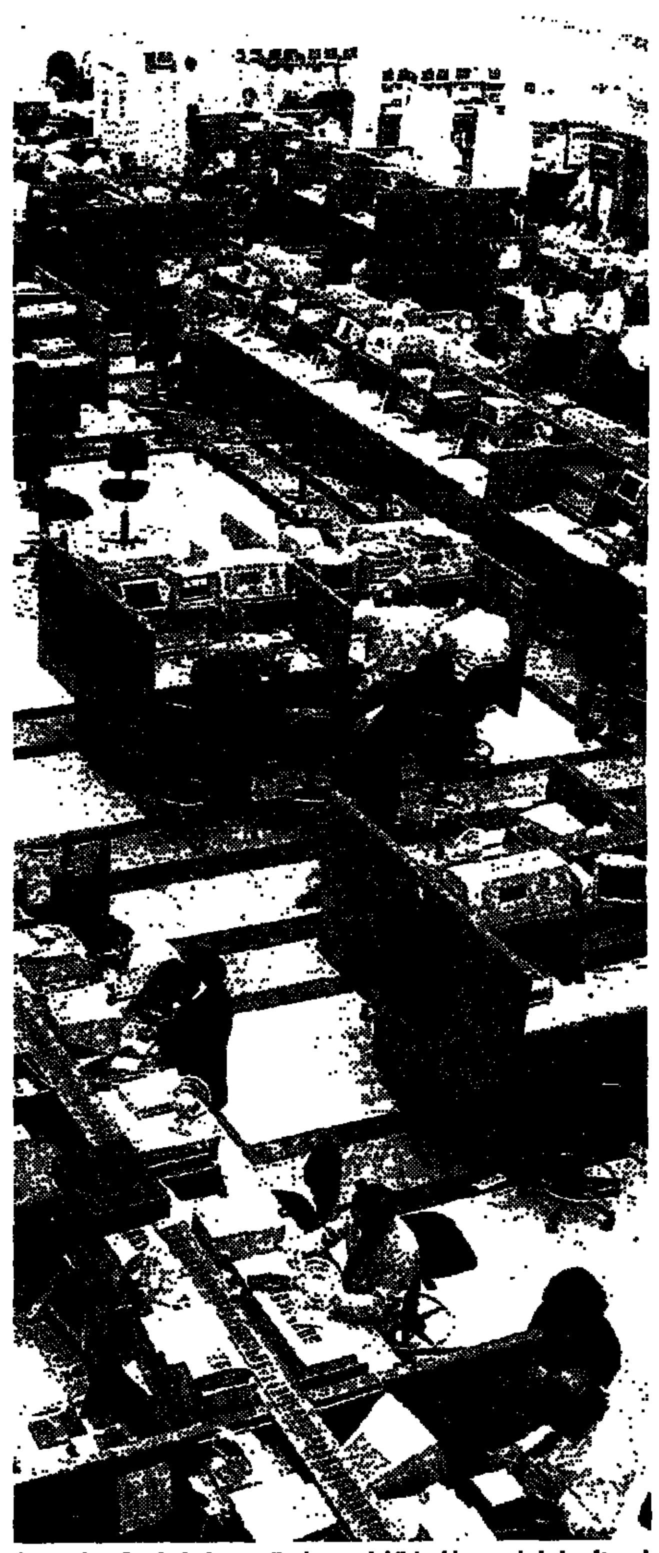
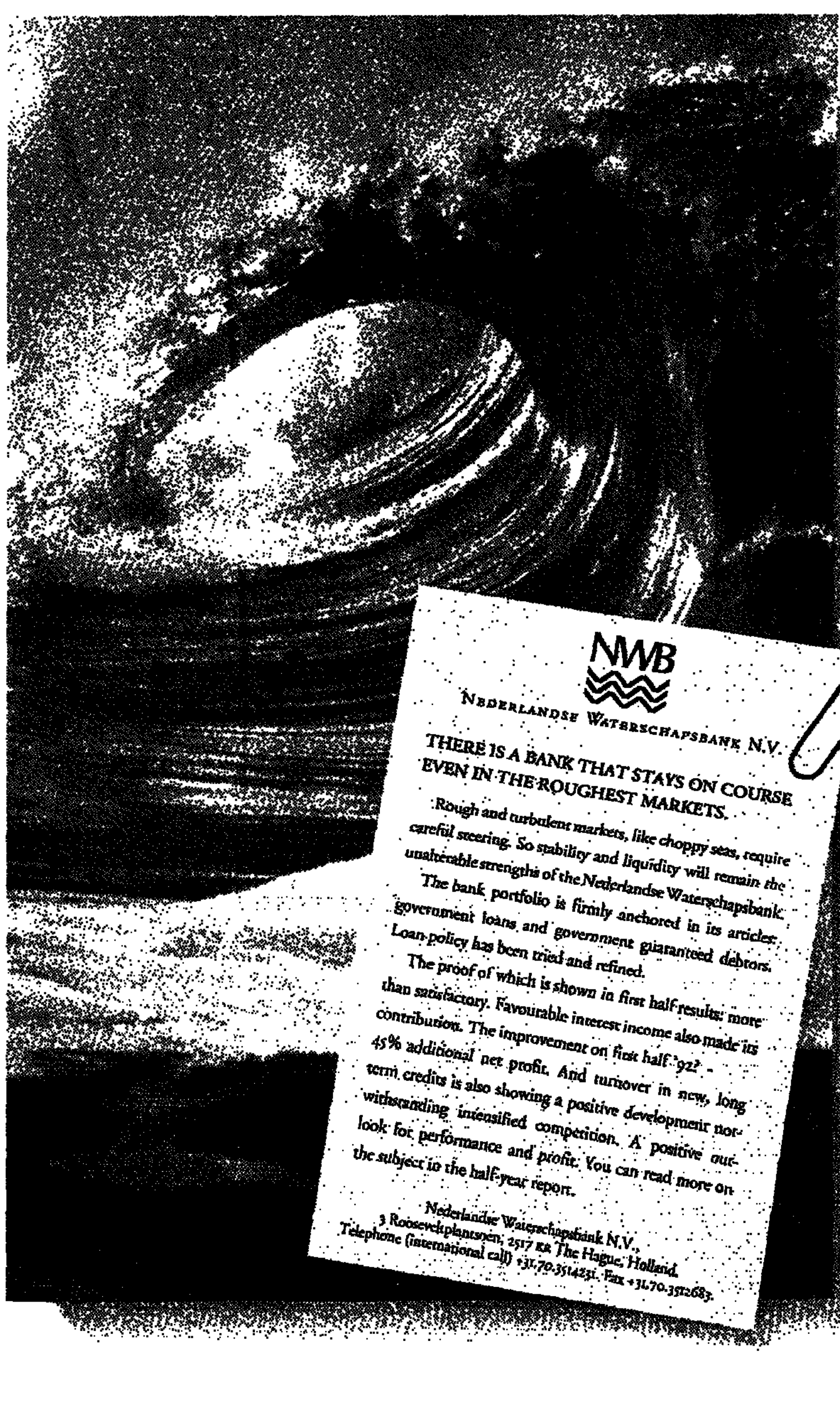


Amsterdam Stock Exchange: the long-established bourse is being forced into a radical shake-up of its trading system. See page IV of this survey.



THE Netherlands' "newest" merchant bank likes to see itself as continental Europe's first "Anglo-Saxon" merchant bank.

Mees Pierson, created in April out of the merger between two rival merchant banks within the ABN Amro group, has set its sights on following in the traditions of Goldman Sachs, Kleinwort Benson and Schroders while continuing to draw on its roots in the continent of Europe.

From the moment they first announced their merger plans in November, former competitors Bank Mees & Hope and Pierson, Heldring & Pierson made clear that they were modeling themselves on the big Anglo-Saxon players, all of whom are active on the bank's open home market.

In fact, the Anglo-Saxon banks are probably Mees Pierson's biggest competitors in the Netherlands after its own parent bank, ABN Amro.

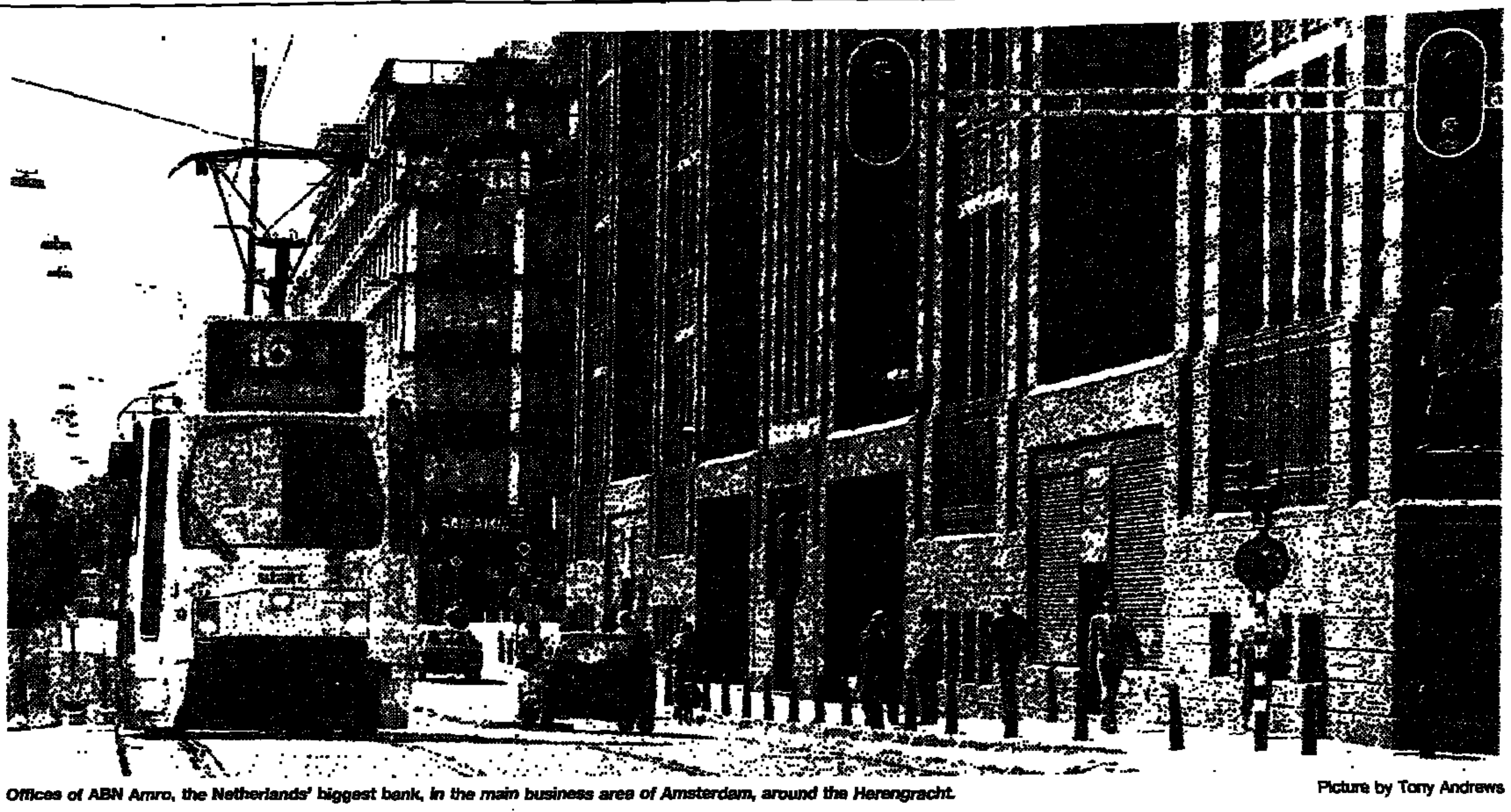
Mees Pierson's operations span Europe, the Far East and the US

Mr Johan Kleiterp, chairman, says Mees Pierson has the same expertise as its Anglo-Saxon rivals and it even shares the same culture, reflecting a decade of change to new market conditions and the adoption of a more aggressive market stance – "our corporate culture is not much different from that of most of our Anglo-Saxon colleague houses," he says.

"Perhaps we could raise our aggressiveness a bit," Mr Kleiterp adds, but stresses that the bank's two predecessors had already made great strides forward in the 10 years before the link-up.

He notes that Mees Pierson does not have the same financial muscle as Goldman Sachs in security trading, for instance, but adds, "one of reasons for the merger was to contribute to a substantial strengthening of our financial base."

Mees Pierson, with a balance sheet total of Fl 36bn, may be the newest name in Dutch banking but it traces its history back to the early 1700s. Its predecessor banks, buoyed by the Netherlands' status as a great trading nation, helped finance the construction of Canada's railways, and they were also involved in arranging the "Louisiana Purchase" which allowed the newly-formed United States to buy a great swath of territory from France.



Offices of ABN Amro, the Netherlands' biggest bank, in the main business area of Amsterdam, around the Herengracht. Picture by Tony Andrews

■ MERCHANT BANK MERGERS

Market becomes more aggressive

Pierson was taken over by Amsterdam Rotterdam Bank (Amro) in 1975, the same year that Amro's rival ABN purchased Mees & Hope. However, both merchant banks continued to operate independently of their new parents.

When Amro and ABN merged in 1990, speculation quickly started that one or other of the merchant banks would be sold off.

In the event, the decision was taken late last year to merge them, while retaining the policy of allowing the merged bank to compete head-on with its parent in Mees Pierson's entire range of businesses – corporate finance, primary markets, equity trading, asset management and lending.

Abroad, Mr Kleiterp is often called upon to explain how a subsidiary can operate in total independence from its parent. Proof of this separateness and independence, he says, is the fact that the bank has offices in many of the same international financial centres as ABN Amro – "we both have offices in Amsterdam, Rotterdam and The Hague. Why shouldn't we both be in New York, Singapore or Hong Kong?" he asks.

Mees Pierson can trace its history back to the early 1700s

Mees Pierson's network of 20 offices in 17 foreign countries is largely a legacy of the international ambitions of Pierson, Heldring & Pierson, rather than of Mees & Hope. This means that there is not much overlap overseas compared with the Netherlands, where 450 out of 2,500 domestic jobs are to go.

Mees Pierson employs a total of nearly 4,000 people, including 1,500 overseas, and it expects the foreign-domestic ratio to move closer to 1:1 as the bank grows abroad. However, the number of foreign offices itself is not expected to show significant expansion.

Mees and Pierson, Heldring & Pierson each had offices in London, New York, Singapore and Hong Kong, and these will eventually be integrated. There is no urgent need to do so, however, because Mees's emphasis lay more in corporate, trade and commodity finance while Pierson tended to pursue asset management, stockbroking and private banking in these centres.

Johan Kleiterp: "We have substantially strengthened our financial base"

A top priority for this year is to launch equity research and trading in Frankfurt, to be followed by Paris. The strategy is to make equity research and trading more European, and then, in their wake, to win more cross-border business in mergers and acquisitions and corporate finance.

Before the merger, Pierson had attempted to boost its European profile in equities through a partnership with Sal. Oppenheim of Germany. But the merger, plus Oppenheim's own revised strategy, put an end to their co-operation. Last year, the partners' jointly-owned venture in Paris, Oppenheim Pierson Melendes, was closed down because of continued losses.

In asset management, Mees Pierson already has a large, global operation that spans Europe, the Far East and the US.

Among the challenges of the merger is the need to integrate separate automation systems. Credit and treasury systems will be fully integrated by the start of 1994, but merging the two banks' equity systems will take well into next year.

On matters of business philosophy, Mr Kleiterp says Mees Pierson has yet to take a stance in principle on how it would respond if a client wanted to launch an unfriendly, Anglo-Saxon-style takeover bid, a phenomenon which is still exceedingly rare in the Netherlands but which is expected to increase.

Mr Kleiterp's old bank, Pierson, had been involved in isolated Dutch battles, whereas Mees's former parent ABN had come out squarely against participation in hostile bids.

He says Mees Pierson's stance could be – like Pierson's – that it would defend any client that was on the receiving end of a bid and that it would examine on a case-by-case basis the merits of any bid which a client would want to launch – "I wouldn't automatically say no [to involvement in an unfriendly bid], but I would add that this is something we still need to discuss as a matter of principle in the new combination," he says.

Dutch financiers' enthusiasm for "bancassurance" trend

Concept fosters cross-selling of financial services

AT home, Dutch financial institutions are fervent followers of the trend towards "bancassurance" – the combining of banking and insurance operations in one financial services group in order to foster cross-selling of banking and insurance products.

Now, having taken the "bancassurance" concept further than most European competitors, the Dutch are slowly branching out, with varying degrees of success, into other parts of the continent and beyond.

The export of Dutch-style bancassurance marks the second phase of the Netherlands' embrace of integrated financial services.

The concept marks the second phase in the move towards integrated financial services

The first step came in 1990 when the government lifted an informal ban on mergers between insurers and banks.

This freedom was quickly seized upon by several leading players to create three main domestic bancassurance, or "Allfinanz," groups: Internationale Nederlanden Group (ING); Fortis, the Belgian-Dutch banking and insurance group; and Rabobank, the big Dutch co-operative bank, and its insurance subsidiary Interpolis.

Of the three, Rabobank is the only one which has yet to take its bancassurance concept to other markets. In recent years it has concluded a string of partnerships with banks in Spain, France, the UK, Italy, Germany and Austria, but these ties are focused on traditional banking activities, mainly helping each others' clients on their respective home markets.

The bank is planning to look into applying bancassurance to other markets than the Netherlands, but no conclusions have yet been drawn.

ING – the product of a merger in 1991 between Nationale-Nederlanden, the Netherlands' largest insurer, and NMB Postbank, the country's third-largest bank – has so far managed to "export" bancassurance to Italy, the first country outside the Netherlands where it operates as a fully integrated financial services company.

The vehicle for ING's bancassurance approach in Italy is Sviluppo, a Milan-based financial group in which the Dutch company has gradually built up a 100 per cent stake. Sviluppo, which was already active in areas like securities brokerage and investment funds, mainly through its 650 financial advisers, now also sells Nationale-Nederlanden life insurance and pension products.

ING's hopes of creating a second "home market" for bancassurance in Belgium were dashed, at least for the time being, when it decided against launching a bid for Bank Brussel Lambert (BBL), Belgium's second-largest bank, in late 1992.

BBL has since said it wants to develop bancassurance in co-operation with two of its institutional shareholders, Royale Belge and Winterthur. ING, which has a 10 per cent stake of its own in BBL, has not ruled out some sort of pact with BBL in the future.

Meanwhile, ING continues to search for what it describes as a second "home market" in Europe. Elsewhere, it has opened an insurance desk at its Hong Kong banking operation and it is looking at insurance and pension opportunities in South America, where it has extensive banking operations.

Fortis, jointly owned by Amev of the Netherlands and AG of Belgium, already has two home markets, and it has applied bancassurance practices successfully on both.

The Dutch-Belgian group's position in Belgium may soon be strengthened if it succeeds in negotiating the takeover of a significant stake in the government-owned Belgian savings bank group ASLK-CGER as part of the country's privatisation programme.

Fortis has made bancassurance inroads in Spain through a joint venture with La Caixa

ASLK-CGER, which already sells insurance products through its banking network, has granted Fortis exclusive negotiating rights until October 15.

If no deal is reached, the Belgian bank may turn to another suitor, but both sides have said they will do their best to reach an agreement.

By taking a large stake in ASLK-CGER, Fortis would not only be extending the reach of its bancassurance operations in Belgium but it would also be gaining a new distribution canal. AG, Fortis' Belgian shareholder, sells its insurance policies mainly through independent agents rather than through bank offices like ASLK-CGER.

Besides Belgium, Fortis has also made bancassurance inroads in Spain through a joint venture with the country's largest savings bank, La Caixa. The 50-50 venture owns large stakes in the bank's life and non-life insurance operations, making Spain the fourth most important market for Fortis after the Netherlands, Belgium and the US.

Influence of foreign banks

Continued from previous page

Dutch market from London, are particularly active.

The prevalence of foreign banks in the world of Dutch finance has been heavily underscored by the upcoming partial flotation of the country's postal and telecommunications company, Koninklijke PTT Nederland. As part of the 1994 flotation, the biggest in the Amsterdam Stock Exchange's history, the Dutch government has already appointed Britain's NM Rothschild & Son to act as its advisers. KPN, for its part, has chosen Goldman Sachs.

Unlike France, where the choice of foreign advisers would have raised eyebrows, the selection has caused barely a murmur in the Netherlands.

The flotation of KPN marks probably the last big privatisation in a country with few state-owned companies. In the long term, although the state-owned railways may eventually become a candidate for sale, the Netherlands and its financial community cannot rely on state sell-offs to swell the ranks of bourse-listed companies. This stands in sharp contrast to France and neighbouring Germany, where a long list of privatisation candidates offers a guarantee of continuous organic growth of their respective capital markets.

In the end, the Netherlands simply lacks the large domestic hinterland that has naturally propelled London, Frankfurt and Paris to the forefront of European finance.

From this perspective, it is all the more impressive that Amsterdam has managed to build up a role in European finance that is clearly out of all proportion to the country's size. But the handicap of size also means that Amsterdam will have to work much harder than its bigger rivals just to hold its own in Europe.

Amsterdam's shopping area: consumer spending in the Netherlands is holding up relatively well, but unemployment is rising quickly

■ ECONOMIC OUTLOOK

Guilder remains resilient

The Netherlands has so far been able to avoid the worst effects of recession in Germany, its biggest trading partner, writes Ronald van de Krol.

ONE positive result of last month's dramatic disintegration of the European Monetary System – for the Netherlands, at any rate – is that it has underlined the resilience and strength of the Dutch guilder.

Of all the EC currencies in the mechanism, only the guilder was able to hold on to its 2.5 per cent band with the German mark. All the others retreated to 15 per cent bands, effectively leaving only the guilder and the D-Mark to carry on the old-style EMS.

In the short term, the decline in value of other European currencies will put pressure on the Netherlands' export-led economy and its export-dependent companies. But in the long term, the guilder's ability to maintain its link to the D-Mark means the Netherlands can expect to reap the benefits of low inflation.

Indeed, the outcome of the currency turmoil can be seen a back-handed compliment to the Netherlands' unswerving commitment over the past 10 years to pegging the guilder to the D-Mark. Over the years, this policy has often encountered domestic criticism, particularly in times of rising interest rates such as in the immediate aftermath of German reunification.

But the fall-out from the recent EMS crisis appears to have vindicated the "strong guilder" efforts of the past.

"I think people will now stop seeing the Dutch central bank as merely a slave to the Bundesbank," one bank economist says. "It's clearly in our interests to be linked to the D-Mark.

The Nederlandsche Bank, the Dutch central bank, says it was partly this link that enabled the country to get its structural, or underlying, inflation rate down to around 3 per cent in the 1990s from an average of 6.6 per cent in the 1960s and 1970s. The day after the EMS debacle, the Dutch finance ministry also noted, "the coupling of the guilder to the D-Mark has made a strong contribution to the fact that the level of Dutch short and long-term interest rates is among the lowest in Europe."

Industry's traditional calls for wage restraint have intensified in the last few months

Several times in 1993, the Dutch central bank was able to cut interest rates independently of the Bundesbank. This demonstrated that, in many ways, the Dutch economy is actually putting in a stronger performance than that of its powerful eastern neighbour. For example, Dutch inflation is considerably lower than that of Germany, as is growth in unit wage costs. Most importantly, the Netherlands has not yet followed Germany into deep recession, though Dutch growth rates are clearly faltering.

Growth in gross national product, which peaked at 4.7 per cent in 1989, fell to just 1.4 per cent last year and could slow to 0.5 per cent or less in 1993, economists predict. Although consumer spending is holding up relatively well, unemployment is rising quickly, in line with the trend in other parts of Europe.

Opinions are divided on whether the Netherlands is already in a full-blown recession. For this reason, some economists prefer to describe the situation as one of "recessionary growth" or even a "velvet recession."

According to strict economic definitions, the country dipped into recession in early 1993. In the fourth quarter of 1992, the economy contracted by 0.1 per cent compared with the third quarter, and this was followed by a further 0.4 per cent drop in the first three months of 1993. Nevertheless, the figures are not entirely conclusive because the declines were so slight. At the same time, provisional figures for the second-quarter gross domestic product show that growth was flat in the spring, meaning that the recession has bottomed out.

In any case, it is clear that, so far, the Netherlands has been able to avoid the worst effects of recession in Germany, its biggest trading partner, which is projected to suffer a 2 per cent decline in economic growth this year.

Even though 30 per cent share of Dutch exports go to Germany, the pain of German recession has been eased by the fact that the Netherlands' foreign sales are heavily weighted in favour of less cyclical sectors such as agriculture and energy. A quarter of Dutch goods sold in Germany are foodstuffs or food-related. This was particularly beneficial in the early days of German re-unification, when Dutch horticulturists moved quickly to satisfy pent-up demand for fresh vegetables in the former East Germany.

Another reason why the Netherlands has been able to absorb Germany's economic downturn is that wage rises were kept low throughout the 1980s and are still well below Germany's increases, accounting partly for continued Dutch competitiveness.

For this reason, industry's traditional calls for wage restraint have intensified in the past few months, particularly since the breakdown down of the EMS. If other European currencies drop sharply against the D-Mark and the guilder, Dutch companies will inevitably be forced to choose between reducing profit margins to retain their share of export markets or accepting a loss of European market share to protect overall profitability.

Concern over venture capital channels for promising companies

Debate over funds for industry

INDUSTRIAL policy has become a hot topic in the Netherlands this year following the demise and rebirth of Daf, the Dutch truckmaker, and the sale of a majority stake in Fokker, the aeroplane builder, to Daimler-Benz of Germany.

Closely related to worries about the overall competitiveness of Dutch industry is the more specific question of how venture capital can best be channeled to the Netherlands' most promising companies.

It is clear that the availability of capital to young companies – as well as to better-established industrial groups – is at something of a crossroads.

First, the Amsterdam Stock Exchange's "parallel market," established 11 years ago as a place to groom smaller companies for a full listing on the main market, is to be closed down later this year and incorporated into the stock exchange itself. The market was too illiquid to attract institutional investors, and its image was sullied by a number of controversial company failures. The looming demise of the parallel market has raised concern about the future flow of smaller companies on to the stock exchange. Much will depend on whether new admission rules are eased sufficiently to encourage newcomers.

The parallel market required companies to have market capitalisation of at least Fl 5m, compared with the main market's minimum requirement of Fl 50m. The bourse is being urged to lower this floor to around Fl 25m to make it easier for companies to make an initial flotation.

In a second new development, the stock exchange and the Dutch venture capital association NVP (Nederlandse Vereniging van Participatiemaatschappijen) are preparing to hold their first "participation exchange" in late November, an opportunity for institutional investors to buy substantial share packets in non-listed Dutch companies and a place where venture capital funds can arrange "exits" from their most successful investments.

And finally, the government is trying to put together a Fl 880m "Industry Fund" to finance promising ventures and developments at eligible Dutch companies, up to a maximum of Fl 50m per company. The country's banks, insurers and pension funds will put up Fl 200 each, as will the ministry of economic affairs. The semi-government-owned Nationale Investeringsbank, which will manage the fund, is to contribute the remaining Fl 80m.

The funds are designed to help medium to large Dutch companies rather than small or start-up firms. The aim is to give assistance to companies which are at the centre of a high-technology "cluster."

The NVP has said that from the start that the fund is unnecessary, arguing that there is no lack of venture capital in the Netherlands. In 1992, the industry invested Fl 545m in promising companies, down from Fl 675m in 1991 but still at relatively high historical levels.

Mr Evert Elbertse, the NVP's secretary-general, said: "If the government believes there is too little money available, it could have done something to help existing players make larger investments," citing a government matching scheme operated in the US.

The NVP says that to avoid as much overlap as possible in the market, the new fund should concentrate on amounts above Fl 25m because the venture capital market for amounts between Fl 10m-20m is already reasonably developed.

The industry fund was originally scheduled to be launched in the early summer but talks between the various participants have taken longer than expected – "we think the fund can get under way in the autumn," a ministry spokesman said.

The proposed fund is a government-sponsored response to concern about the passing of Fokker into German hands and the collapse of Daf and its subsequent resurrection in slimmed-down form without its former UK operations.

Out in the cold? An employee of truckmaker Daf worrying over job prospects earlier this year

IN the case of Daf, the Dutch government was prepared to pump money into the new company, along with the Flemish regional government of Belgium and a number of other investors, including Dutch venture capitalist firms.

But Fokker's sale to Daimler-Benz's Deutsche Aerospace subsidiary was a consequence of the Dutch government's refusal to help the company (in which it held a 32 per cent stake after a cash crisis in the late 1980s) finance the development of a new generation of aircraft.

As with Fokker, the government's financial involvement in Daf is designed to be temporary. There is little tradition of state ownership of industry in the Netherlands, nor do the country's banks tend to own large stakes in companies, making either bourse flotation or venture-capital participation essential.

The "participation exchange", or "parex," scheduled to take place on November 23, is designed specifically to help the Netherlands' rich institutional investors to find appropriate investments in unlisted companies.

The exchange, which will operate under a tender system, will allow for the transfer of stakes equivalent to at least 5 per cent of a company's share capital and worth a minimum of Fl 1m. Companies whose shares are up for sale must have shown a profit for at least two years.

The difference between parex trading and a flotation on the stock exchange is that companies whose shares are sold directly to institutional investors by subscription do not have to meet the same strict financial reporting criteria as those who go public in search of wider ownership.

Mr Elbertse said the first participation exchange in November may see dealings in only one or two companies' shares because potential participants will probably take a cautious stance at first. But he added that this could act as a stimulus for future "parex" days, which may then be organised every six months, depending on demand.

New US-Dutch treaty after a decade of complex negotiations

Reputation for liberal tax laws

THE world's oldest double taxation treaty, the 1948 treaty between the Netherlands and the US, is to give way to a new document believed to be the most complex tax agreement ever concluded between two countries.

The new US-Netherlands treaty will replace an existing treaty dating from 1948. After more than 10 years of exhaustive negotiations, the two countries signed a draft treaty in December 1992. If ratification proceeds smoothly – and this is by no means certain – the treaty will take force on January 1, 1994, with companies given a one-year transitional phase before they need to comply with its stipulations.

The revised treaty is attracting considerable international attention, not because of any changes in withholding tax rates, but because of its complicated Article 26, which sets out the "limitations of benefits" and, effectively, narrows the range of companies that are able to invoke protection against double taxation.

The US, which is keen to counter "treaty shopping" by companies seeking to reduce their tax bills, is expected to use the treaty with the Netherlands as a model for its future tax treaty relations with other industrialised countries.

The Netherlands, for its part, has attempted to retain as many features of the old treaty as possible, underlining its reputation as a country willing to forego tax on interest payments, profits and royalties generated in third countries.

The Netherlands is an attractive tax regime for foreign companies

This stance has given the Netherlands, though hardly a tax "paradise" for its own citizens and residents, a reputation for liberal tax laws for international businesses.

The Netherlands' attempts to preserve this reputation and the US's desire to rein in treaty shopping account for the long, arduous negotiations over the new treaty's text, which runs to 100 pages, excluding a 35-page appendix.

The new US-Dutch treaty will make it difficult for "mailbox" and "brass-plate" companies to carry on benefiting from double taxation rules. This is because the draft treaty includes exhaustive tests of how rooted a company is in the Netherlands.

Previously, mere residence in the Netherlands was enough to enable a foreign company to draw on the Netherlands-US tax treaty benefits. Now, eligibility will have to be established by any of a variety of means, ranging from an ownership and business activity test to a "publicly traded" and "headquarters operations" test.

Although lawyers and consultants continue to pore over the document, the treaty will probably have few practical consequences for those companies that have substantial business or administrative activities in either the US or the Netherlands. The only drawback for them of the new treaty is that they may face greater administrative burdens proving that they are eligible to take advantage of the treaty's provisions.

However, two broad categories of companies are likely to be most affected by the changed US-Dutch tax rules: companies which use Dutch companies as a channel for investment into the US because their own countries, such as those in the Middle East, have no tax treaty of their own with the US; and UK companies which use a "mixer" sub-holding in the Netherlands to blend their tax liabilities in various countries before remitting profits to Britain.

Particularly for companies in the "mixer" category, minor or even wide-scale restructuring of their corporate structure in the Netherlands may be necessary if they are to continue to draw on the treaty.

If they lose their eligibility, companies will face an increase in US withholding tax on dividends from 5 per cent to 30 per cent and on interest payments from nil to 30 per cent.

In another change, the treaty will effectively force the Netherlands to alter the ability of Dutch resident companies to use tax-haven companies and branches in places like the Netherlands Antilles. The treaty stipulates that if the Netherlands does not revise its laws on this point, the two countries will handle the issue in a protocol to the treaty.

Despite the changes brought by the treaty, the Netherlands is expected to remain an attractive tax regime for foreign companies, though competition continues to increase within Europe, especially from the "co-ordination centre" facilities allowed by neighbouring Belgium.

■ AMSTERDAM STOCK EXCHANGE

New urgency over reforms

UNLIKE its competitor on the other side of the English Channel, the Amsterdam Stock Exchange has always avoided the "Big Bang" approach to change, preferring instead to pursue a rolling programme of reforms to bolster its position in Europe.

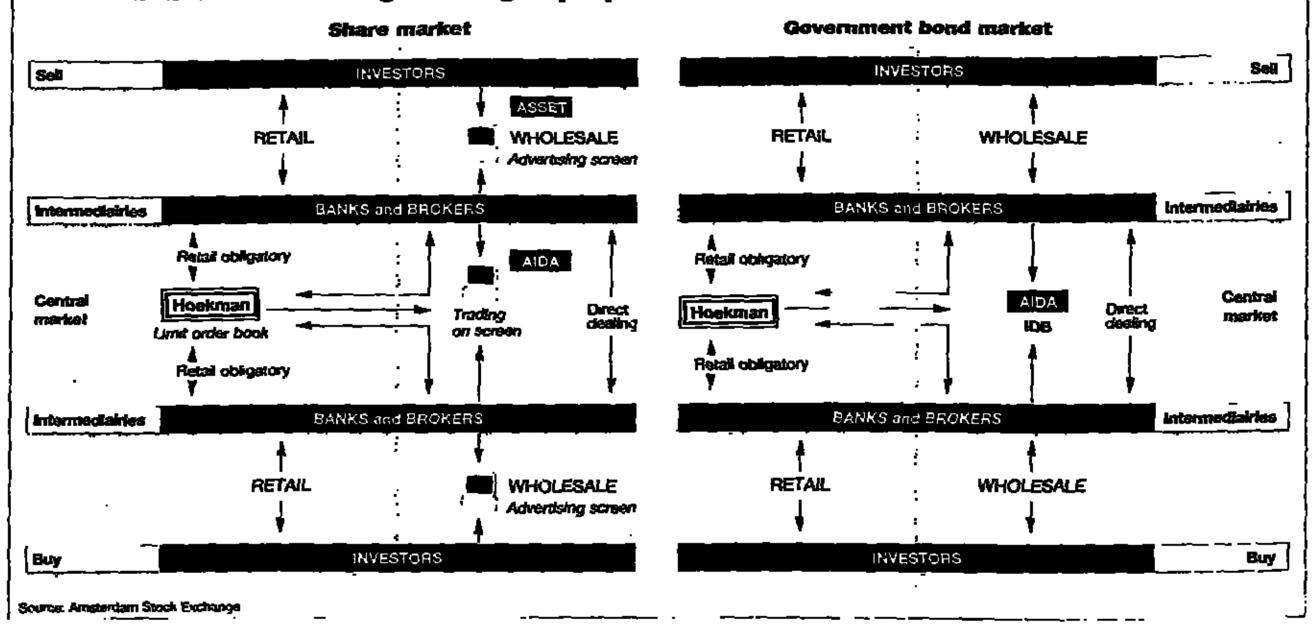
But its plans for fundamental and far-reaching reform in early 1994 betray a new sense of urgency, prompted by London's increasingly tight grip on block trading in Dutch shares and government bonds.

To counter the attractions of London's Stock Exchange Automated Quotation System (SEAQ), the Amsterdam bourse will be offering a rival screen-based system called ASSET (Amsterdam Stock Exchange Trading System) where banks and brokers can advertise their prices. This will be supplemented by an on-screen trading system called AIDA.

For the first time, foreign banks and brokers based outside the Netherlands will be offered direct access to the Amsterdam market through the new screen system, in a bid to persuade them to stop trading Dutch shares and government bonds in London.

Equally important, the Amsterdam bourse wants competition from foreigners to force domestic players to adopt a more aggressive stance in the market. The screens will be used only in the wholesale segment market, which is to be created through another dramatic reform the splitting of trading into distinct retail and professional sectors.

Amsterdam Stock Exchange: changes proposed



Source: Amsterdam Stock Exchange

Together, the advent of limited screen-based trading and the division of the market between private and institutional investors will mean the demise of the Amsterdam "hoekman," or stock jobber, a traditional feature of the Dutch capital's stock exchange. It was the hoekmen's task to bring together supply and demand, and most transactions had to be channeled through them.

The hoekman will disappear and be replaced by a market "specialist," similar to those in New York, who will operate on the retail side of the market.

Rather than having two competing hoekman companies specialising in each Dutch stock, the new specialist will have exclusive rights to deal in individual companies' shares.

"The specialist will now have to compete against the market, instead of against his 'hoekman' competitor," Baron Boudewijn van Ittersum, the bourse's chairman, said in an interview.

The change will have radical consequences for the exchange's 23 "hoekman" firms and their combined workforce of around 200. Less than 10 firms will be eligible to become specialists, and they will all have to invest heavily in new equipment. And, to survive in a new world of lower commission rates, they will clearly have to boost their share volume.

Amsterdam's multiple moves to split the market, to allow in foreign-based brokers and to do away with the old-style hoekman are a response to surprising figures on trading in Dutch securities uncovered last year by McKinsey & Company, the consultants.

Although Amsterdam's low, 32 per cent share of trading in Dutch bonds had been cause for concern for years, the McKinsey figures showed that share trading had also undergone a profound shift to London.

The seepage to SEAQ was most pronounced in block trades worth more than Fl 1m each, with only 33 per cent of these deals done in Amsterdam in 1991 compared with 68 per cent in 1988. Overall, the Dutch exchange accounts for 60 per cent of dealings in Dutch securities, down from 80 per cent three years earlier.

Mr van Ittersum said the "shocking" figures had helped concentrate the collective mind of the Amsterdam financial community, producing a consensus for change.

The McKinsey report also found that investors were increasingly turning to foreign banks and brokers when investing in Dutch shares, helping to accelerate the trend towards SEAQ trading. It urged Dutch banks and brokers to boost their competitiveness as well as their trading volume, and to be prepared to offer more liquidity in the market. But Mr van Ittersum noted that a change of mentality was needed in addition to the change in trading methods – "no matter how well-organised you are, you will lose out in the end if the Amsterdam-based intermediaries are not competitive enough to win back the business that has gone abroad," he says.

Besides Amsterdam's comprehensive revamping of its trading system, the bourse also faces the challenge later this year of incorporating its lower-tier "parallel market" into the main share market. The parallel market, launched in 1982 as a breeding ground for smaller companies seeking to graduate to the main bourse, has stagnated after a series of well-publicised company failures dented its image.

Baron Boudewijn van Ittersum: revamping the trading system

Before the parallel market can be abolished, however, the bourse must resolve the question of what admission conditions will govern the transfer of stocks to the mainstream market.

Another issue coming to a head later this year is the desirability of greater co-operation between the stock exchange and the Amsterdam-based European Options Exchange.

The two exchanges have asked Coopers & Lybrand to report this autumn on potential areas for partnerships. In the first instance, the two markets are interested in exploring cost-savings that could be generated by operating joint back-room administration and legal services. However, a more thorough-going link-up is also possible.

"There is no question of an automatic merger, but far-reaching co-operation can also not be ruled out," says Mr van Ittersum.

In the longer term, the stock exchange also wants to increase the number of Dutch companies coming to the market.Next year's privatisation of the Dutch PTT will be the biggest-ever flotation in the Amsterdam bourse's history (see report below), but unlike France or Germany, where heavy privatisation programmes should swell turnover in the years ahead, there are few privatisation targets in the Netherlands, meaning that the bourse's ranks can only be bolstered by newcomers from the private sector.

Mr van Ittersum says there are at least 200 medium-sized Dutch companies "ripe" for flotation – "we have a magnificent top league of bourse-listed companies, but there's gap at the lower end," he adds.

Royal PTT Netherlands (KPN)

A record flotation

THE AMSTERDAM Stock Exchange is to get a much-needed boost next year when the government floats a first tranche of shares in its 100 per cent-owned postal and telecommunications company, Royal PTT Netherlands (KPN).

For the bourse, the launch will represent a vitally important injection of new blood following a steady thinning in the ranks of Amsterdam's listed companies as a result of recent mergers in the paper, foods and banking sectors.

But for KPN itself, the flotation will be equally significant, marking a new stage in its determined efforts to become an internationally-recognised provider of postal and telecommunication services.

"If we remained a state-owned company, our world expansion plans would come to nothing," says Mr Wim Dik, KPN's chairman. "No state-owned company could pull it off."

KPN is well aware that it cannot hope to meet its international goals on its own, particularly in telecommunications where investments are heavy, change is rapid and companies like AT&T are engaged in expensive acquisitions. Ultimately, the flotation is aimed at putting KPN in a position to find additional strategic partners to realise its international ambitions.

The Amsterdam listing opens up the possibility of arranging cross-stakes in share capital, if necessary, to cement a strategic partnership.

"Our desire to be launched on the bourse is not based in the first instance on a need for capital," says Mr Dik.

So far in the 1990s KPN has concluded a number of far-reaching strategic alliances. The most significant is its participation in Unisource, a three-way partnership with Sweden's Telia and Swiss Telecom aimed at providing specialised telecommunications for multinational companies.

On the postal side, KPN has also linked up with TNT of Australia and the postal authorities of Germany, France, Sweden and Canada to form a joint venture in international express mail.

In eastern Europe, KPN is helping to improve the telecommunications networks of Bulgaria, Ukraine, Hungary and the Czech Republic.

By becoming a listed company, KPN hopes to make it easier to conclude business partnerships, especially with US companies which previously found it difficult to understand the Dutch company's anomalous role as a fully commercial organisation whose shares happened to be owned by the state.

IN Dutch terms, KPN's "privatisation" took place in 1989, when the former government agency was transformed into a public limited company accountable to a supervisory board rather than to the ministry of public works.

Although the state retained its 100 per cent share holding, KPN was free to act like a private-sector company. An immediate priority was to train its 102,000 staff – all former civil servants – to be customer and market-orientated.

KPN's five-year transformation will be capped in the the first half of 1994 with the sale of 20-30 per cent of the state's shares. In later tranches, the government intends to reduce its stake below 50 per cent, though it will retain a "golden share."

Estimates of KPN's total market value range up to Fl 22bn. However, the price of the shares will depend largely on the company's future dividend policy, as KPN will be seen primarily as a yield stock. KPN currently pays out 40 per cent of net profits to the state.

The initial flotation will not only rank as the biggest in Dutch history, exceeding the launch of the chemicals group DSM in the late 1980s, but it will also mark the country's first privatisation of a household name.

Although the holding company KPN may not be immediately recognisable to many Dutch people, the term "PTT" (post, telephone and telegraph) certainly is.

All phone users are customers of PTT Telecom, one of KPN's two main operating companies, while PTT Post is familiar to millions as the place to go to buy stamps or to access the services of the Postbank, which belongs to the ING Group.

Mr Dik, a former senior executive at Unilever, recalls a consultant at KPN in the late 1980s who proposed that the name PTT be dropped. This suggestion was flatly rejected. It would have been crazy, he says, "to discard a brand name when 99 per cent of our customers knows exactly what it stands for."

KPN's flotation – the first of a string of share launches by continental telecommunications companies such as Deutsche and France Telecom – is unusual because the Dutch postal services will be included. But KPN's postal operations are themselves unusual because they are profitable, unlike all other post offices in Europe with the exception of Britain's Royal Mail.

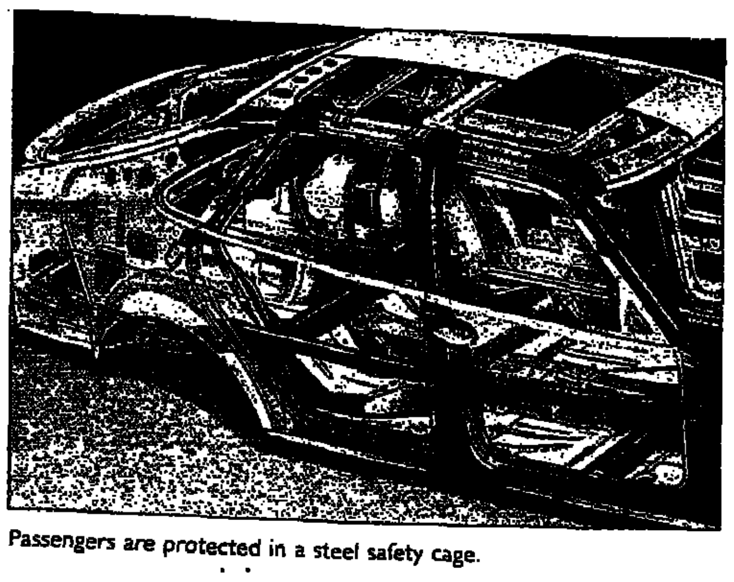
"PTT Post is very healthy and achieves a return on invested capital that is every bit comparable to that of PTT Telecom," says Mr Dik.

KPN's international ambitions extend to postal operations as well as to the more obvious area of telecommunications. Already, low Dutch postal rates have enticed foreign companies to ship their European post to the Netherlands for onward delivery elsewhere on the continent.

Potential expansion opportunities for PTT Post include international consultancy as well as the setting up of postal services for other countries and lending management support.

KPN as a whole intends to double its turnover by the year 2000.

The company, which posted 1992 net profit of Fl 1.66bn on turnover of Fl 15.62bn, says growth will come from the expansion of existing businesses into new areas but also from acquisition.



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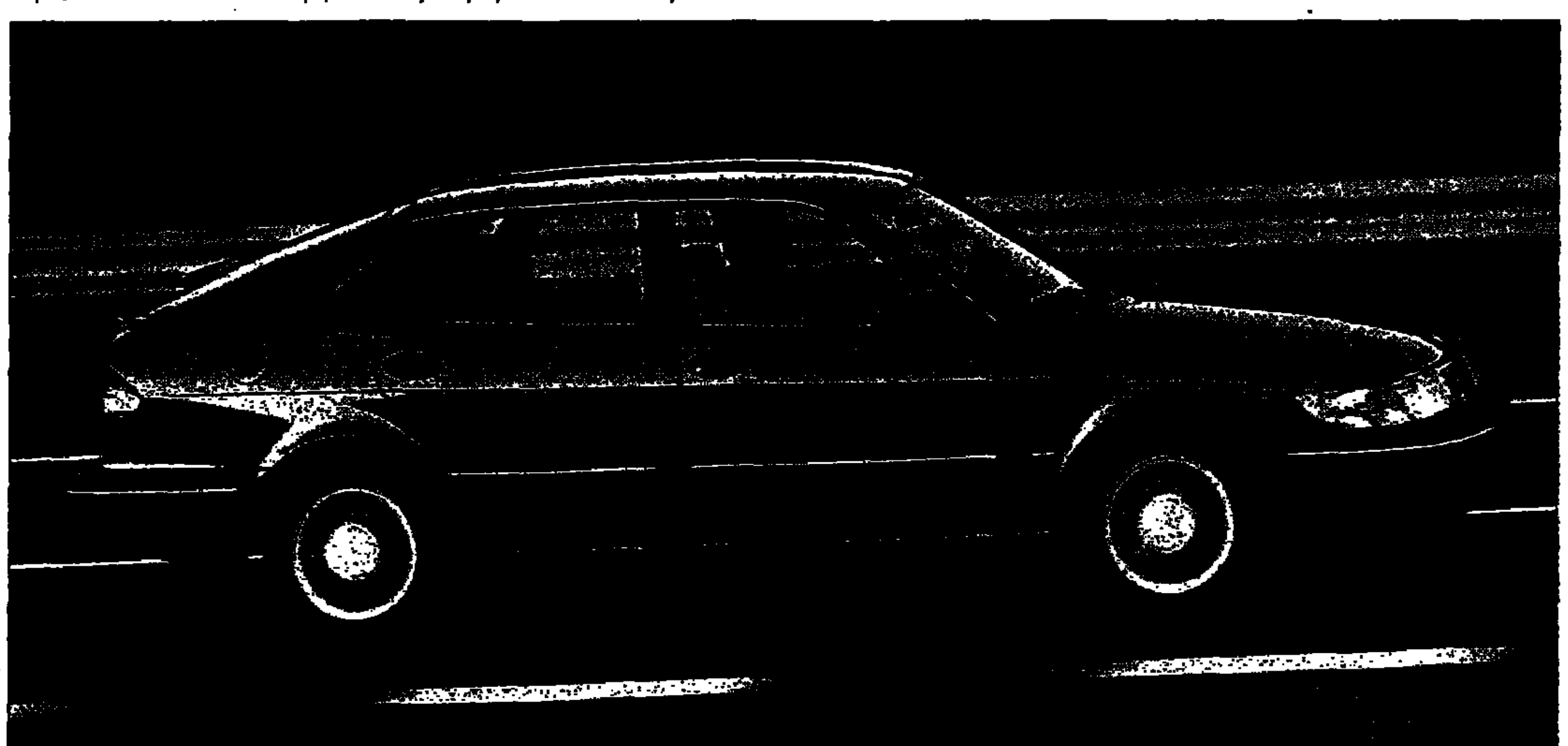

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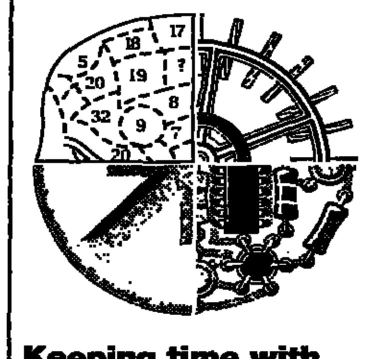
Worth Watching · Della Bradshaw



Keeping time with kinetic energy

Twenty-five years after the launch of the first quartz wristwatch, Japanese manufacturer Seiko has launched the first quartz watch to work on kinetic energy.

Instead of the traditional battery the watch is powered by the movement of the wearer.

Sitting behind the watch face is a semi-circular rotor, which rotates with the movement of the wrist. This is attached to a motion-powered generator, smaller than the head of a match, which can generate up to 2.5 volts of electricity. A microprocessor ensures that the quartz crystal receives the required one-volt supply, and despatches the surplus power to a capacitor, where it is stored for up to a week.

Three minutes of activity will generate enough energy to power the watch for five hours. Ten hours of normal activity will power the watch for three days.

At up to £200 each, the range of 10 watches is targeted at the top 5 per cent of watch wearers. Seiko: UK, 0628 770001.

Cutting the cost of colour printing

With the proliferation of colour PCs and software has grown the demand for colour printing. But colour printers have been too expensive for many businesses.

QMS, of Mobile, Alabama, has launched a departmental desk-top colour laser printer for less than £10,000.

The company has reduced the size and cost of the machine by replacing the multiple marking engines – one for each colour ink – with a single unit. In the Laser 1000 a belt circulates to pick up the ink from the four separate hoppers and deliver it to the marking engine. This is then transferred to the drum and on to the paper.

The Laser 1000 will print two pages of colour documentation a minute at the cost of at least 5p per page. QMS: US, 205 633 4300; UK, 0784 430900.

Designers adopt a model approach

Designers may love the flashy graphics and revolving images on their computers, but they still need models to display what their ideas will look like, writes Andrew Fisher. Vu Thru, of London, has come up with a novel way of showing designs in three-dimensional form.

This is achieved by stacking printed information on optically clear film between Perspex layers. The film sheets are taken as slices of a computer-generated graphic and printed with a thermal plotter. The contoured slices, 20 or more, are bolted together to produce the image. Vu Thru: UK, 071 731 7103.

Glint of a new standard

Computer companies as diverse as IBM and Nintendo have agreed to use OpenGL as the standard for three-dimensional graphics for multimedia, virtual reality and video applications.

Chip-maker Du Pont Pixel is developing a chip to be sold on the open market which will bring OpenGL to the world of the Unix workstation or Windows/NT.

Glint, as the chip is known, is aimed at makers of both complete systems and component boards. Du Pont Pixel: UK, 0784 470555.

Computers are all Ears for truancy

As the school term begins again, students who are contemplating skipping lessons should beware. Teachers are now turning to computers to spot the truants.

The electronic attendance registration system – Ears – is a computer tablet in a folder. Each time the teacher takes the register the pupils name is ticked off on the screen. This information is sent by radio to the central computer in the school office where it is collated.

The system, developed by Bromcom Computers, can even write to the parents of missing pupils. Bromcom: 081 461 3737.

A flat vision of the future

A new type of television screen promises to shake up the global market, writes Michiyo Nakamoto

The consumer electronics industry has been searching desperately for ways to revitalise the television market. There has been much excitement in the industry over wide-screen television and, further ahead, high-definition equipment.

But a different kind of television unveiled by Matsushita Electric of Japan could be just what the industry needs to spark demand among consumers for new sets.

Matsushita's television boasts a flat screen that is a third of the depth of conventional sets. Matsushita calls the new product Flat Vision and believes it can capture more than 10 per cent of the world's display market by the end of the decade.

The 14-inch television, which Matsushita will sell in Japan from October 1, has a screen that is less than 10cm in depth, compared with about 34cms for conventional televisions of the same size which use cathode ray tubes.

Matsushita also plans to introduce computers and multimedia devices using the flat panel. If the company succeeds in overcoming some technological hitches, televisions on the wall may become a reality earlier than expected.

The starting point for Flat Vision lay in what appears to have been an inspiration from the research and development staff at Matsushita. While consumer electronics makers have tried to make thinner televisons, doing so with conventional technology, which uses CRTs, was always a problem. CRTs are necessarily bulky, with an electron beam at the back of the tube to scan colour dots on the screen's face and produce a moving picture. The tubes are thick to allow the electron beam enough room to be bent to reach the outer edges of the screen.

Matsushita has overcome the problem by replacing the bulky electron beam with a matrix of 9,746 tiny tubes that are lined up to form the shape of a television screen.

Flat Vision consists of 44 vertical wire cathode tubes, with 222 minitubes per wire cathode on the backplate which emit the electrons. There are five control plates and a fluorescent surface with colour phosphor strips on the surface.

The picture is created through the illumination of the fluorescent front surface by the electrons, with a separate electron beam source for each of the 9,746 tubes. Each minitube thus acts like a CRT, scanning six lines of two sets of the three colour elements (red, blue and green) to form the picture.

Flat Vision retains the CRT advantage of being self-illuminating and therefore very bright. "By allocating only small areas of the display to each electron beam source, the company was able to achieve a much slimmer body than if one electron beam was responsible for the entire display area," Matsushita says.

The closeness of the cathode to the faceplate, the fluorescent surface which contains colour dots, means it is easy to aim the electron beam to the proper colour and this enhances the picture clarity and brightness. Since the Flat Vision screen has a grid of small CRTs there is no blurring at the edges of the screen, allowing a wider viewing angle than conventional televisions.

There is still much to be improved upon in Matsushita's screen. The company admits that because the glass of the screen is flat, it is not as strong as the curved CRT screen and is therefore more vulnerable to pressure. This makes it difficult to produce televisions larger than 20 inches until a further breakthrough in the technology.

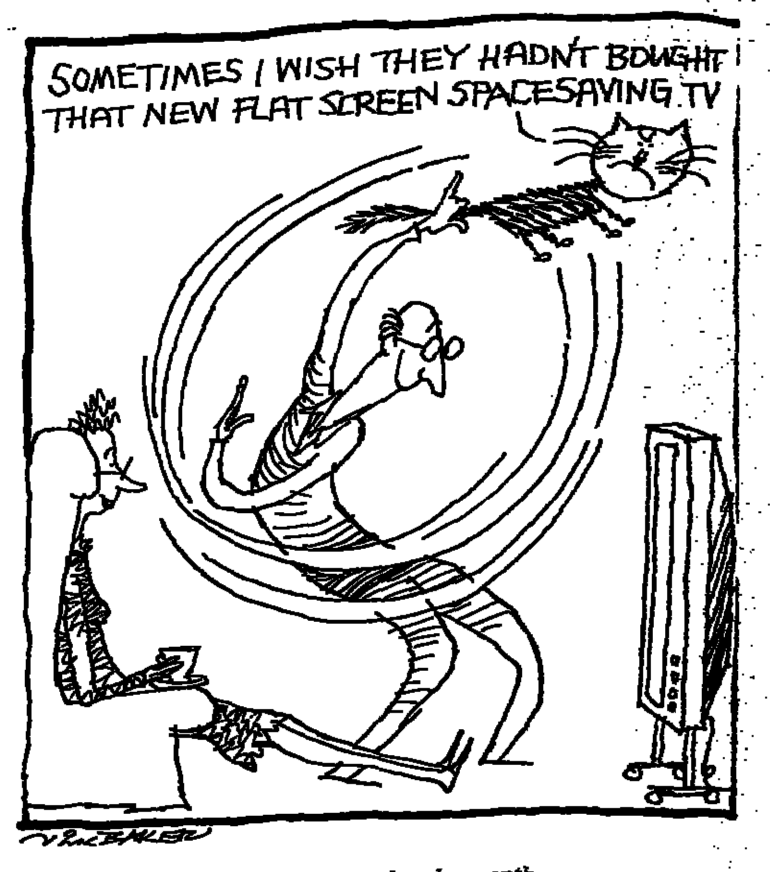
The electronics team at SG Warburg, the securities company, believes that because Flat Vision splits up the screen into a large number of minitubes it creates faint horizontal lines on the screen in high-resolution applications, making Flat Vision in its current state unsuitable for high-definition television.

Its high power consumption also means it is unlikely to become a viable alternative to liquid crystal display technology found in portable applications, SG Warburg says.

Matsushita's Flat Vision product will go on sale in Japan at a cost of Y288,000 (£1,811). The company initially plans 1,000 units to be produced a month.

By 2000, Matsushita believes that Flat Vision will sell about 25m units annually, or more than 10 per cent of the annual worldwide display market which it forecasts will be 217m units, up from 140m units today, including CRT and LCD devices.

To meet its forecasts the company plans to start licensing the technology, for which it already has over 133 domestic patents, to third parties. It has applied for another 1,300 patents in Japan.



At the Sharp end

Some 20 years have passed since Sharp, the Japanese electronics company, launched the world's first calculator that used a liquid crystal display.

Sharp has placed LCDs firmly at the centre of its devices business, which it believes will provide the company with a big advantage over other consumer electronics makers by helping it to differentiate its products from those of its competitors.

The number of R&D staff working on LCD has increased sixfold over the past six years to 1,000 and LCD-related capital expenditure has ballooned to Y100bn (£630m) over the past three years.

The company is already seeing the beneficial effect its expertise in LCD can have on its consumer electronics business.

Sharp's camcorder, known in Japan as the ViewCam, uses a four-inch liquid crystal monitor instead of a viewfinder, and is doing well in the domestic market despite sluggish demand for camcorders. Sharp's share of this market is expected to surge on the strength of the ViewCam.

The LCD monitor is big enough for on-the-spot viewing and can be rotated 270 degrees for shooting from a variety of angles. The great advantage of the LCD monitor is that there is no need to keep your eye glued to the viewfinder. You can shoot scenes even if stuck behind a crowd.

Sharp is also concentrating on LCD television. One of its latest products, the Crystaltron, is a portable television which uses a low-reflectivity thin-film transistor LCD.

A big problem with portable televisions has been the difficulty of getting clear pictures outdoors. Because LCDs do not emit light on their own but need to use a backlight, they are more likely to lose picture brightness than CRTs when another light source interferes.

Sharp has improved the brightness of the Crystaltron by using a stronger but smaller back light, together with a low-reflectivity LCD panel and by replacing the glass of the front cover with a low-reflectivity material.

In order to improve picture quality, Sharp was able to increase the amount of light that reaches the eye after passing through the LCD panel. In the past, only about 40 per cent of the light penetrated the LCD panel, but this has been increased to 48 per cent.

Another product using LCD into which Sharp has been putting its energies is projection television. LCD panels are placed inside the projector which makes it much easier to set up than conventional televisions, and portable as well.

Since conventional television uses tubes which bend under the influence of the earth's magnetism, they need to be adjusted each time they are set up in a different place. With LCD projection television, that problem is eliminated altogether, says Takashi Matsumoto, general manager of Sharp's LCD visual systems division.

Sharp has developed a 2.8-inch high-density LCD panel with 217,945 pixels for the system. By combining three of these panels its projection television produces high quality resulting from 653,835 pixels.

There are a number of problems that continue to plague LCDs. Not least is the technological complexity of producing them, which makes LCDs both costly and difficult to make in larger sizes. But the light weight, low-power consumption and flatness of the screens give LCDs an advantage in portable applications that is hard to beat.

MN

PEOPLE

GKN finds finance director

Automotive components and industrial services group GKN is at last filling the finance director's seat left vacant by Brian Walsh's departure to the TI Group in April.

About to get his feet under Walsh's old desk at GKN's London headquarters is 48-year-old Merseysider David Turner, who has been finance director of food distribution and agribusiness conglomerate Booker for the past nine years.

Turner, a chartered accountant whose career included spells with Touche Ross and Mobil Oil before signing up with Booker as a financial controller in 1975, is expected to take up the post "in the next month or two", according to GKN.

The lack of apparent urgency might seem somewhat surprising, given the length of time since Walsh's departure. But costs are well battened down, recession is starting to abate and the rest of GKN's hierarchy has been stable for some time.

Not least, hands-on chairman Sir David Lees himself had a lengthy stint as finance director before climbing the last few rungs of the corporate rigging. "So the ship of finance has been able to sail serenely on," according to one GKN insider.

Non-executive directors

■ **Sir William Purves**, chairman of HSBC Holdings, at SHELL Transport and Trading Company.

■ **Peter Voller** has resigned from WATERGLADE INTERNATIONAL HOLDINGS.

■ **Edward Townsend**, former finance director of Dobson Park Industries, has resigned from INSTEM in which Dobson Park has a substantial stake.

■ **Jonathan Agnew**, former chief executive of Kleinwort Benson who has recently been appointed a temporary adviser to the SIB, at GREENFRIAR INVESTMENT COMPANY.

■ **Javaid Aziz**, chairman of IBM Financial Services and a director of IBM UK Holdings, at BRITISH RAILWAYS BOARD.

Managing director No 3 looks forward to tomorrow

Tomorrows Leisure, the USM-quoted, Newcastle-based hotels and leisure group which had been on a roller-coaster of management changes in recent months, has appointed Chris Blaxall as managing director.

Blaxall, 36, has come from the Consett, Co Durham-based Derwent Valley Food Group, best known for its "Phileas Fogg" snack range, where he was group finance director.

Blaxall is Tomorrows Leisure's third managing director in as many months. He succeeds Stephen Lovely, who held the post for three weeks before resigning with immediate effect in late July. Lovely replaced Malcolm Powell, who then became operations director, a post from which he has now resigned.

In July Tomorrows Leisure gave a second loss warning for its results for the year to March 31, which have yet to be published. It also announced at that time that John Roberts, a former Next director brought in in February as chairman, had resigned and that founder John Sanderson, who stepped down as chairman and managing director in the February reshuffle, had become executive chairman.

Blaxall, a chartered accountant, assisted the founder directors of Derwent Valley Food Group, which he joined in 1991, in refocusing the business back to its core activities and selling it to United Biscuits for £27m in March.

QMH: Cairns and Bould check in

Andrew Coppel, the chief executive charged with sorting out the affairs of Queens Moat Houses, is still unable to explain exactly what went wrong at the hotel group, whose shares were suspended last March.

He has, however, recruited two new senior executives charged with finding ways of turning the group's 191 hotels in the UK and continental Europe into a viable business.

Michael Cairns, 53, is to join the board as chief operating officer, hotels on September 20. Cairns has been with Inter-Continental Hotels for 25 years, most recently managing its European, Middle Eastern and African properties. He is also managing director of Saison Overseas Holdings, Inter-Continental's parent company.

The second appointee is Andrew Bould, 45, senior vice president of sales and marketing at HiltonInternational, who is to become managing director of Queens Moat's UK hotels division.

Bould's appointment is in line with Coppel's view that the UK business needs its own chief executive, rather than being run directly by group head office, as under the previous management.

Coppel says Cairns will need to grapple with markedly different problems in the UK and Germany, the group's two most important markets.

In Germany, Coppel found that the hotels had been reasonably well-managed under the old regime, with proper financial controls. The difficulty is the country's economic downturn, which has damaged trading.

In the UK, where hoteliers say business is picking up, Cairns and Bould need to decide what to do about the management weaknesses which existed before the shares were suspended. These include the management incentive scheme, which went badly wrong, and the branding and marketing of the hotels.

Finance moves

■ **Michael Williams**, formerly md Europe for Barclays Global Services, has been appointed general manager in charge of the banking division of NOMURA Bank International.

■ **Steve Quiddington**, formerly senior manager with NatWest's international trade and banking services division, has been promoted to md of NATWEST Stockbrokers on the resignation of Neil Stapley.

■ **Colin Campbell**, formerly director of personnel at Gartmore Investment Management, has been appointed personnel director at NEWTON INVESTMENT MANAGEMENT.

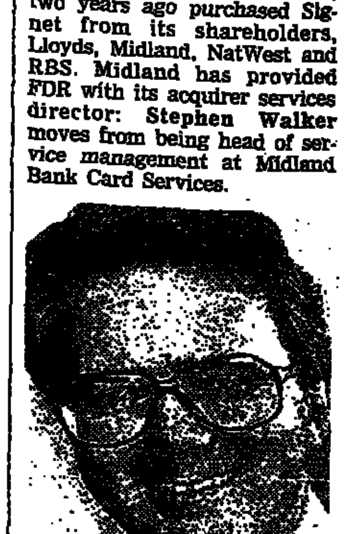
■ **John Harris**, formerly regional head of financial institutions business with Standard Chartered, has been appointed chief general manager of the GULF BANK.

■ **Bob Jones**, formerly md of Lombard Tricity Finance, has been appointed to the board of Lombard North Central, a subsidiary of NATIONAL WESTMINSTER BANK.

■ **Julian Mayo** has been promoted to become a director of THORNTON Investment Management and Nick Hodgson a director of Thornton Unit Managers.

■ **Nigel Barry, Ian Massie** and **David McCraw** have been promoted to the board of DUNEDIN FUND MANAGERS.

■ **Peter Radcliffe** (below), formerly banking director of Abbey National, has been appointed director of business development at FIRST DATA RESOURCES. FDR, a business unit of First Data Corporation, and which makes credit cards, two years ago purchased Signet from its shareholders, Lloyds, Midland, NatWest and RBS. Midland has provided FDR with its acquirer services director: Stephen Walker moves from being head of service management at Midland Bank Card Services.



Sculpture / **William Packer**

An exhibition of Arts Council complacency

IN ITS eager, condescending way, the pamphlet for children that accompanies the Arts Council's exhibition Recent British Sculpture, a selection of works lately acquired for its, that is to say our collection, says it all.

The introductory paragraph is itself a collector's item. "What is Sculpture?", it asks itself. "Once upon a time this question was quite easy to answer. A sculpture was solid and three-dimensional, not flat like a picture. It could be big or small, but it generally stood on a plinth, not on the floor. It was usually carved from stone or wood, or modelled in clay and cast in metal. Sculpture was mostly about people and animals – people in particular. It didn't move. Not any more."

The statement is breath-taking in its complacency. Thus is written off in an easy, thoughtless antithesis the universal tradition that by now should embrace the cumulate experience of the millenia, from the earliest of civilisations to our own, from the Willendorf Venus to Henry Moore, from Easter Island to the bronzes of Benin, the great Buddha of Nara, the tombs of the Pharaohs, the totems of the Pacific, the figures of Michelangelo. Plinths indeed: people and animals forsooth: so that is what it was about all that time.

That such simple-minded fatuities should be uttered in the name of education is merely the measure of how far we have come. That is not to say that all the works on show are therefore without merit. The point lies rather with the critical assumption behind the selection, and the clear signal given to young minds, that we need no longer bother ourselves with all that boring, old-fashioned, disciplined, difficult, dusty stuff. Chuck it all out along with the life-model, the cast from the Antique, the museum cabinet. Nowadays anything goes: do your own thing: art is whatever you like to say art is: what fun.

It is the philosophy of play-pit self-expression, visual joke and glib idea as substitute for the creative and the profound. No monuments to mortality here, but plenty of bright ideas. Richard Wentworth is one of the most thoughtful sculptors we have, with an aesthete's fastidiousness in the formal control and disposition of his materials, and a surrealist's wit in the redeployment of given objects. His "Toy" has a sardine-tin set as it were floating in a now solid galvanised tub, an object as simple as it is ambiguous and imaginatively satisfying. "Richard Wentworth", we are told, "says that he thinks of his studio ... as 'the playroom where I'm not told to tidy up'". He should be ashamed of himself.

Bill Woodrow's black crow tearing at carrion is as elegantly clever a thing as he, so clever a sculptor, has ever done. David Nash's small and rudely carved "Coal Stove" is a nicely contradictory conceit, an image at once purposeful and impractical. Less convincing and more literary in her ambiguity, Cornelia Parker has made several hundred lead casts of a Big Ben souvenir which she has arranged in a cone-like heap that spreads out in neat, widening circles on the floor – "Fleeting Monument", time passing, mutability, leaden symbolism.

This is indeed a literary, concept-driven collection. Ron Haselden, with his clicking, flickering, electronic "Red Nose", an engagingly casual assemblage of eviscerated cameras and naked circuitry, hints, we are told in the catalogue, "at deeper concerns and questions the role of the camera – a machine ... which is sometimes said to 'capture' its subjects." On we go: "Indirect Lighting, like much of Julian Opie's work, treads a very wary path between the languages of high art and of mass design." "Stephen Hughes ("Container One") has explored the concept of containment in various materials and forms over a number of years." "Territorial explores Veronica Ryan's concern with boundaries and the edges of things."

Such is the current jargon of justification. Sculpture is no longer simply what it is, ambiguous, intuitive, inarticulate, magical. It must be about this, concerned with that, take an interest, explore ideas, strike an attitude. Antony Gormley's "Five Fishes" consists of five long objects, such as a truncheon or a blade, each encased in lead. Lead, he tells us, "is a material of transmutation and insulation: death to the object – a removal from sight to be reborn in another place of the mind where differentiation has not occurred ... This work abolishes time by removing objects from its flow and represents a moment of Adamic naming where evil coexists with good." How silly of me: of course it does.

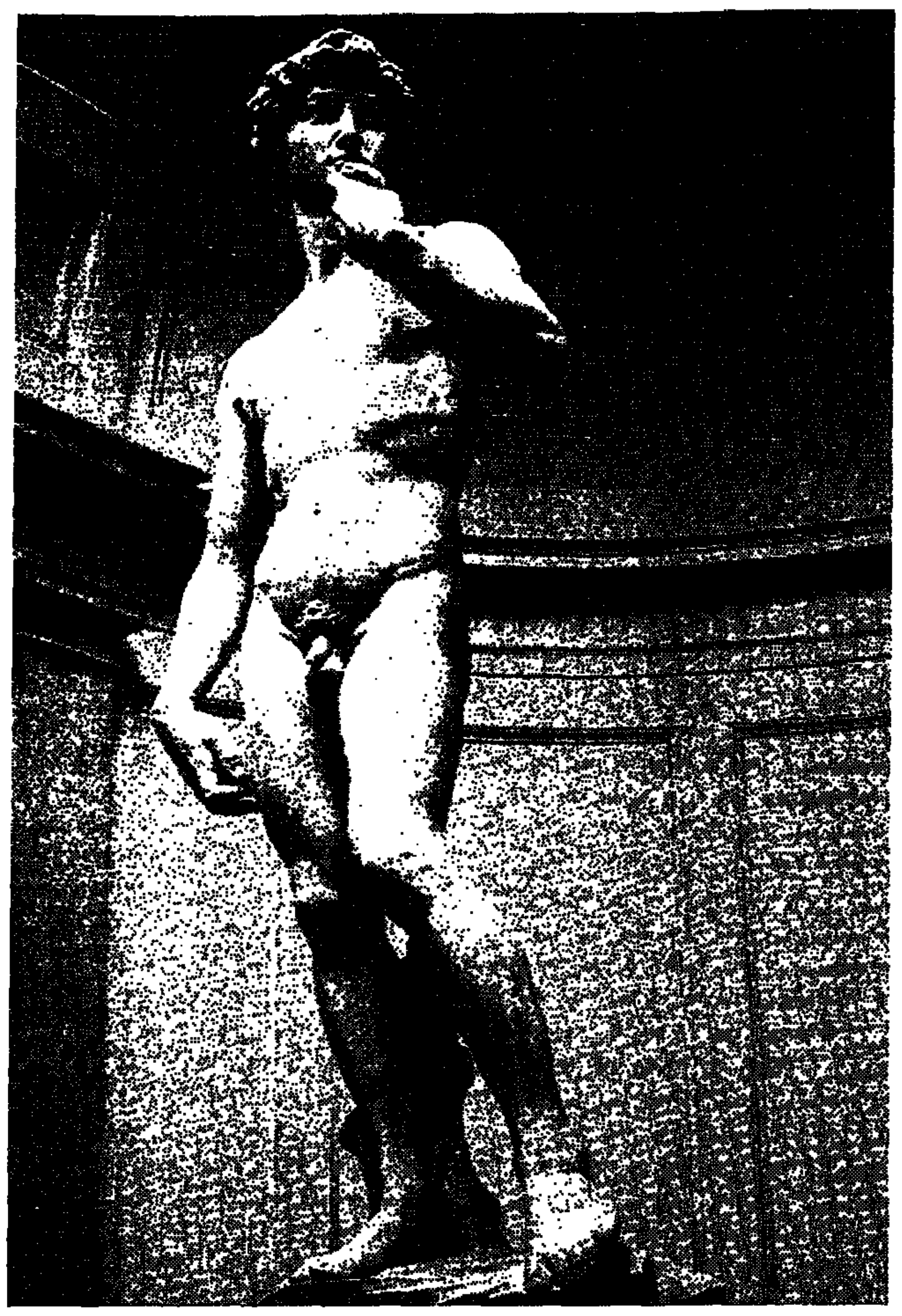
From all this earnest company, Dhruva Mistry stands apart, the one sculptor allowed to acknowledge the wider tradition of the figure and the humane response, ancient Indian at one with modern and European. Here, even on the smallest scale, in his fractured carving of a reclining woman, he achieves the monumental.

The sculptor is free, of course, to use whatever materials he feels appropriate to his purposes, and in whatever way. It is only the narrow critical exclusivity that is worrying, as though to say: only such an approach or interest is valid. "During the last decade", says the catalogue, "British sculpture has received international acclaim." Did it then receive none in the 1940s, with Moore and Hepworth, none in the 1950s with Turnbull, Paolozzi, Armitage, Butler, none in the 1960s with Caro, King, Tucker, none in the 1970s with likes of Long and Flanagan? So where in the collection are all the others, the carvers and modellers among them, even now still hard at work?

"Such a wealth of talent has emerged of late that it has been impossible for the Collection to acquire work by all artists of importance." So that is all right then.

Recent British Sculpture from the Arts Council Collection – Royal Festival Hall to Oct 3. Then: Coventry, Hull, Llandudno, Eastbourne, Bournemouth, Bath, Plymouth, Aberystwyth: sponsored by British Telecom.

Clever umbrellas: Crow and Carrion by Bill Woodrow part of Recent British Sculpture



Robert Harding Picture Library

Traditions embodied by Michelangelo's David are dismissed by the Arts Council exhibition notes

Concert

Twinkle of a fresh talent

IN THE Queen Elizabeth Hall on Wednesday, a concert by George Benjamin and his young Premiere Ensemble included a remarkably appealing discovery: Unsuk Chin, a 32-year-old Korean composer from Seoul. Benjamin came upon her *Seven Fairytales* just a few months ago, while serving on a Paris competition-jury.

Taking her inspiration from mini-tales secreted in *Alice Through the Looking Glass* and Michael Ende's *The Endless Story*, Unsuk Chin has fractured those texts – hence her subtitle, "Akrostichon-Wortspiel": perhaps you need to be Korean to believe that Western words sung backwards will retain their "symbolic meaning" – and has set them for soprano and a tingling little ensemble. The results betoken a clever, original ear. Not so original as to conceal debts to her teacher Ligeti and to György Kurtág; but overall the bright fantasy, economy and pungency of this sequence ring too consistently true to be anyone's but her own.

Though the seven settings share a family resemblance (a taste for whispered, spidery intricacies, for piercing pedal-notes in extreme registers, for sudden plainness after busy instrumental textures), each has its special ear-catching character. Genuinely fabulous, they twinkle and tantalise. We must hear more of her.

We had a lot of Benjamin, in his expert and various roles as conductor, pianist and composer; in his own programme-notes, too, with some discreet polemic about Webern's restricted, "weightless" style (which "proved so thrilling to the ears and minds" of 1950s composers, "although that time is now well past": Benjamin is an *1980s* composer) and conversely about the "egotistic excesses of romanticism, still resonant in our own decade". He conducted Webern's gentle 12-note Symphony op. 21 quite simply, without special pointing, though as pianist in the accompanying trio for Ravel's three *Chansons madécasses* he underlined the most telling strokes with a fellow-professional's relish.

After her poised *Fairytales*, the soprano Penelope Walmsley-Clark sang the mould-breaking Ravel triptych so beautifully, and fixed the distinct *persona* of each song with such assured elegance, as to disarm my settled prejudice against non-mezzos in this music. Her clear, cultivated French almost compensated for the omission of the texts from the programme-book.

Gérard Grisey's microtonal experiments for a pair of horns, *Accords perdus*, generated some intriguing aural cross-talk, but little more. In Varèse's *Octandre* Benjamin concentrated on hyper-subtle detail, at some cost to its raw energy. His own *At First Light*, which had a rapturous welcome in 1982, sounded more prettily episodic and less gripping than one remembered it from London Sinfonietta performances. The Premiere Ensemble, excellent though it is, has not risen yet to the Sinfonietta's level of forceful, single-minded conviction.

David Murray

Theatre / **Andrew St George**

An African Macbeth

JOHN Mortimer's father used to greet his three-year-old son with "Is execution done on Cawdor?", expecting a reply from the fledgling barrister-writer. The beauty of this is that the entire play flashes in front of you: the blood, the dark, the assassinations, the multitudinous seas. *Macbeth* translates well from one place to another. At the Bridge Lane Theatre, clannish Scotland has become tribal Africa, maybe Nigeria or Ghana.

This is a predominantly black African *Macbeth* from Committed Artists UK, a British company which has just finished a tour of the US. The production has moments of great power, but could still quicken and concentrate.

The set is a large sandy pancake with oil drums round one side and a smoking pot of incense in the middle. The modern design puts the soldiers in red berets and fatigues; the weapons of choice, a problem when bringing Shakespeare into the era of automatic fire, are *machetes*.

At the opening, the witches curse and spit in the sand, like the exemplary weird sisters in Roman Polanski's violent film version. This is voodoo rather than celtic sorcery, and the witches are an unsettling presence appearing throughout the action behind a mesh screen at the wall behind the circular stage. Later, the witches work themselves into a fine frenzy, dispelling the thought that "double double toil and trouble" might have more to do with backgammon than the clairvoyant cassoulet ("eye of newt ... tongue of dog") they are cooking for Macbeth.

Stephen Rayne's direction of this, Shakespeare's shortest play, strings the action out; the acting, especially in the court scenes, is fitful and patchy. Macbeth (Hakeem Kae-Kazeem) starts out matter-of-factly, a trigger-happy guerrilla. But with "If it were done, when 'tis done" the issues become lucid, even if elsewhere the verse sounds choppy. The Banquo-ghost scenes are a stormy triumph, but Macbeth finishes too quietly, wrapped in a cloak, rocking on his haunches over the body of his wife, clutching a voodoo doll as the witches look on.

The play's energies gather at the entrance of Lady Macbeth, superbly played by Jaye Griffiths. From her first lines she finds the urgency and breathiness in the part. She reacts physically as she summons the spirits to "unsex" her and fill her with cruelty.

The production draws on Trevor Nunn's chamber style of Shakespeare from the Other Place, Stratford-upon-Avon. It shows Bridge Lane at its best; this is a fine space, an Almeida south of the river, just surviving into its 11th year in a harsh financial climate.

In repertory, Bridge Lane Theatre, SW11 (071-228-8828).

Theatre / **Alastair Macaulay**

A Brutus of the billiard-table business

THIS NEW play brings back the last time your father wilfully under-rated you and the last time you wanted to hurt him. It is so well-written that it can steer its audience from zipping, uproariously funny start, through a mid-ground where laughter is both appropriate and inappropriate, to the gradual, serious contemplation of a moral dilemma. All about a small family business with three generations, it stirs up the raw feelings that can only occur within a family – and, in this case, within its menfolk.

Jack and Gordon, Chapel's two surviving sons, have been preparing for 20 years to push their father, now 75, into retirement. The third generation, Barry, David, and Tony, are in their 20s, and can already see that the company needs changes more radical than those Jack and Gordon would initiate. Chapel, meanwhile, is not going lightly. Father/son conflicts ignite all over the place. *A Going Concern* catches all the chatty comedy pertinent to men sharing a workroom, and it picks up that brisk comic tone at several points.

The family company makes, and repairs, billiard tables. The play's author is Stephen Jeffreys, who recently adapted the RSC's staging of *A Jovial Crew* and whose own comedy *Valued Friends* was a success at the Hampstead Theatre in 1989 and 1990. *A Going Concern* is based in autobiographical material for him, since he comes from a family of billiard-table-makers.

Matthew Lloyd directs; and I have only praise for his cast, and for the way the play introduces them as simple sit-com types and then deepens them, one by one. Reece Dinsdale is Tony, who emerges as the young Brutus of this family coup d'état; David Killick is his fierce father Gordon; David Horovich is Gordon's milder brother Jack; James Clyde their nephew Barry, devoted to 1960s pop music; Adam Godley is Jack's son David, an Eng. lit. student who occasionally works for the company (plainly closest to Jeffreys himself); Henry Stamper is the heartless old fox Chapel.

Each one is a vivid agent in the drama; and each then stands back to comment in alarm on what occurs. (This even goes for the non-family member of the workforce, Ray, played by Shaun Prendergast.) Samantha Holland is Vicky, the new accountant who finds herself suddenly involved with the business officially and in private. It is she who has the play's best line ("Right now, there is one sixth of a melon dusted with cinnamon sitting in a fridge in Muswell Hill with your name on it") – funny because of both its timing and her deadpan delivery; and it is she who exposes the family's most serious secret treacheries.

The play shines with old-fashioned virtues. Every role is interestingly three-dimensional; the fluctuation of comic and serious tone is perfectly judged; there is even a quotation ("days of wine and roses"), skilfully introduced and woven through the play. I am not sure, however, why he sets it in 1966 and makes it a period piece (references to Donovan, Colin Cowdrey, *The Man from UNCLE*, et al). Just as the play's rawer surfaces grow exciting, some new period detail distances it from us. And several long speeches are conceived slightly too much as great set pieces. The play stirs me, but I occasionally wish it were less neat.

INTERNATIONAL ARTS GUIDE

BERLIN

BERLIN is on the move. Tomorrow, the Deutsche Oper begins a four-week visit to Japan with the first of five performances of Die Meistersinger von Nürnberg at Tokyo's Bunka Kaikan. Next month, the Berlin Philharmonic Orchestra tours North America with its chief conductor, Claudio Abbado.

The Deutsche Oper last visited Japan in 1987, when it gave Japanese audiences their first chance to hear Wagner's Ring performed as a complete cycle. The company's latest visit is also devoted to Wagner, in productions by the Deutsche Oper intendant, Götz Friedrich. Meistersinger is conducted by Rafael Frühbeck de Burgos, with a cast headed by Wolfgang Brendel, Elke Wilm Schulte, Paul Frey and Eva Johansson. Tristan und Isolde, which receives the first of five performances at Tokyo's NHK Hall on September 24, is conducted by Jiri Kout, with Gwyneth Jones and Janis Martin alternating as Isolde and René Kollo singing all performances as Tristan. Lohengrin, conducted by Christian Thielemann, opens at Bunka Kaikan on September 30, with a cast including Thomas Sunnegardh, Janis Martin, Karan Armstrong and Oskar Hillebrandt.

There are also two concerts: Frühbeck de Burgos conducts Beethoven's Ninth Symphony at Tokyo's Suntory Hall next Tuesday, and Heinrich Hollreiser conducts the first act of Die Walküre and extracts from Götterdämmerung at Yokohama on October 10. A total of 420 company members are taking part in the tour, which was organised in exchange for this month's Berlin Festival performances by Ichikawa Ennosuke's Kabuki ensemble, the Zeami-za Noh Theatre Group and the Tokyo Ballet.

The Berlin Philharmonic's North American tour programmes are dominated by Mahler symphonies. Abbado will conduct all the concerts, starting in Washington on October 20, and proceeding via Chicago, Toronto and Boston to New York's Carnegie Hall, where the tour ends with concerts on October 28, 29 and 30.

EXHIBITIONS GUIDE

AMSTERDAM

Van Gogh Museum Philippe Rousseau and Louis Welden Hawkins: neither Rousseau's *still-lifes nor Hawkins' symbolist* and decorative paintings are the work of a master, but they recall the striking role these 19th century *French artists played in their own* milieu. Ends Nov 14. Daily

Rijksmuseum Rembrandt in a new light: seven restored paintings. *Ends Nov 1. Closed Mon*

Stedelijk Museum John Wesley (b1928): 30 paintings and a number of sculptures by the American *associated with the Pop Art* movement. Ends Oct 10. Daily

BERLIN

Martin-Gropius-Bau Japan and Europe *1543-1929*: a collection of 500 objects from Japanese, American and European collections, tracing the development of Japanese art and its cross-currents with European art. Ends Dec 12. Ivan Puni (1892-1956): 200 works by one of the leading figures of the Soviet avant-garde. Ends Nov 14. Closed Mon

FLORENCE

Casa Buonarroti Michelangelo - 18 masterpieces: these are the top drawings out of the 200-strong collection owned by the Buonarroti Foundation. All are of the highest quality, and all are signed by the artist. Ends Oct 30

***Galleria del Costume di Palazzo* Pitti** Fashion at the Court of the Medicis. Ends Dec 31

GLASGOW

Hunterian Art Gallery Whistler on Paper: watercolours and prints, including portraits, nudes, streetscapes and nocturnes, selected from Glasgow University's major collection of work by the 19th century American artist. Ends Oct 30. Closed Sun

Burrell Collection *A Celebration* of Art in Nature: an exhibition marking the 10th anniversary of the building which houses one of *the most prestigious public art* collections in the world. Ends Nov 10. Daily

HILDESHEIM

Roemer und Pelizaeus Museum Bernward of Hildesheim and the Age of the Otto Dynasty: silk, crystal, illuminated manuscripts, *wall coverings, bronzes, goldsmiths'* work, religious reliquaries and other treasures marking the 1,000th anniversary of the appointment of the *influential* Hildesheim bishop. Ends Nov 28. Daily

LAUSANNE

Musée d'Art Contemporain Jean-Michel Basquiat (1960-88): 100 paintings and drawings by the Brooklyn artist whose images often reflect the harsh realities of street life. Ends Nov 7. Christa de Carouge and Gregoria Recio: contemporary clothing designs. *Ends Oct 10. Daily*

Musée Cantonal des Beaux-Arts François Bocion: 80 paintings of western Switzerland by the 19th century artist and two of his contemporaries. Ends Nov 28. Bill Viola (b1951): installations by the *American video artist. Ends Nov* 28. Closed Mon

Fondation de l'Hermitage Monet and His Friends. Ends Sep 26. Closed Mon

LONDON

Whitechapel Art Gallery Lucien Freud: paintings, drawings and etchings created since 1980 by the celebrated British artist, grandson of Sigmund Freud. Ends Nov 21. Closed Mon

Institute of Contemporary Arts Jean Nouvel: a series of multi-media installations taking the viewer on a journey through the *work of a great proponent of* post-modern architecture. Ends Oct 25. Daily

Hayward Gallery Aratjara: the most *comprehensive exhibition of* Aboriginal art ever seen in Europe. Ends Oct 10. Daily

Royal Academy of Arts Pissarro's *Series Paintings. Ends Oct 10. Daily*

Tate Gallery Edward Burne-Jones: sketches from the museum's collection. Ends Nov 7. Daily

National Gallery *The Wilton* Diptych: first of a series of exhibitions examining in depth a major work from the gallery's collection, focusing here on a beautiful late 14th century painting of Richard II being presented to the Virgin and Child. Opens next Wed. Daily

NEW YORK

Guggenheim Museum Paul Klee: *60 works from the museum's own* collection. Ends Oct 31. Rebecca Horn: first full-scale *retrospective* of the German artist. Ends Oct 1. The main museum is closed on Thurs, the SoHo site on Tues

Metropolitan Museum of Art *Versailles 1973: American fashion* on the world stage. Ends Nov 28. Closed Mon

Museum of Modern Art Marco Zanuso (b1916) and Richard Sapper (b1932): 20 objects from the years 1959-78 by the Milan-based *industrial and architectural design* team. Ends Nov 9. Gabriel Orozco: first US one-man exhibition by the Mexican sculptor and photographer. Ends Oct 18. Chuck *Close (b1940): 15 large-scale* screen prints. Ends Sep 28. Closed Wed

Whitney Museum of American Art *Hopper in Paris: a selection* of paintings completed during the three extended trips Edward Hopper took to Paris as a young *man 1906-10. Ends Oct 3.* American Art in Transition 1955-62: 140 works by 21 artists, exploring the evolution from Abstract *Expressionism to Pop Art.* Ends Oct 10. Closed Mon

PARIS

Musée d'Orsay Great French *Paintings* from the Barnes Foundation: 80 of the finest impressionist, post-impressionist and early modern paintings from the collection of Albert Barnes, a wealthy early 20th century Philadelphia art lover. Among the highlights are works by Renoir, Cezanne, Seurat, Picasso and Matisse. Ends Jan 2. Closed Mon, late opening Thurs (quai Anatole France)

Petit Palais Masterworks from Leipzig: 64 oils and 104 drawings from Leipzig's public art collection, comprising works of the German renaissance, 17th century Dutch paintings, 16th and 17th century *Italian drawings and the German* romantic movement. Ends Dec 5. Closed Mon

● Cartes musées available at all metro stations and museums, to avoid queuing at 60 museums including the Louvre, Musée d'Orsay and Versailles.

STUTTGART

Württembergischer Kunstverein The Gardens of Islam: paintings, carpets, ornamental drawings, *ceramics and fragments of the* Koran, emanating from countries as far apart as Morocco and Indonesia, and evoking the diversity and exotic grandeur of traditional Islamic art. Ends Oct 31. Closed Mon

Staatsgalerie Oskar Schlemmer: 150 paintings, sketches and drawings by the influential Bauhaus teacher, who was later denounced as degenerate by the Nazis. Ends Nov 14. Closed Mon

Galerie der Stadt Keith Haring (1958-90): 200 woodcuts, lithographs and drawings by the talented New Yorker who began as a graffiti artist. Ends Nov 7. Closed Mon

WASHINGTON

National Gallery of Art Lovis Corinth: 74 prints and drawings by the realist painter and draughtsman, one of the most important figures in turn-of-the-century German art. Ends Feb 21. Daily

Walters Arts Gallery Kabuki Prints by Hirosada: designs by the 19th century Japanese printmaker, capturing climactic moments of favourite plays. Ends Sep 26. Artists of Ecouen: 25 drawings recording daily life in late 19th century France, by a group of artists eclipsed by impressionism and the modern movement. Ends Feb 6. Closed Mon

Textile Museum A Textile Journey in Japan: a collection of materials from the rough and rustic to the fashionably urban. Ends Feb 27. Daily

A long and winding road

Democratic niceties will have to wait in S Africa, says Patti Waldmeir

South African politicians were quick to tell their followers that Tuesday's decision to establish a limited multiracial interim government was a significant step on the road to democracy.

They forgot to mention a fact that has become increasingly clear in recent weeks: that the two leading negotiating parties, the African National Congress and the National party, foresee no straight path to democracy.

Leading figures in both parties envisage a wide detour into illiberal territory almost immediately after the first multiracial elections next year. They seem likely to impose a tough security crackdown as one of the first acts of a power-sharing government of national unity: and in a society obsessed by fear of widespread violence, most voters would probably thank them for doing so. Indeed, Wednesday's massacre of about 30 blacks at taxi ranks near Johannesburg – which came barely 24 hours after Tuesday's deal – can only strengthen the hand of those who favour tough measures.

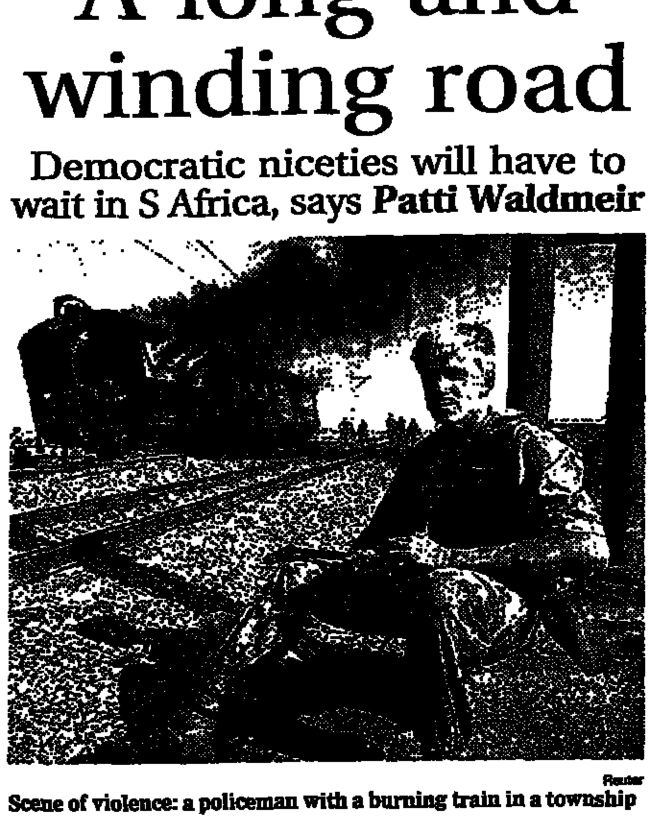
At least in the short term, South Africans are likely to be voting on April 27 next year to swap one form of authoritarian government for another: more broadly based, more legitimate, certainly more effective – but no more saintly than the current incumbents. The democratic niceties will have to wait upon the overwhelming need to restore stability.

Baffled by the complexities of the constitutional negotiations, and confused by the intricate deals aimed at cementing the power sharing, most South Africans spend their time worrying about personal security – not democracy.

Little can be done before the elections to stem the violence that has left 10,000 blacks (and scores of white farmers, diners and churchgoers) dead in political violence since Mr Nelson Mandela left prison in 1990. Indeed, as political competition intensifies ahead of the elections – which the mainly Zulu Inkatha Freedom party and ultra-right Conservative party plan to boycott – the death toll can only rise.

The consensus emerging among the ANC and the NP is to forge ahead to elections, however unfree and unfair, on the principle that no delay will make them freer or fairer. Neither side dares risk a postponement, unless relatively minor.

So South Africa hurtles headlong towards elections, less than eight months away,



Reuter

Scene of violence: a policeman with a burning train in a township

without a constitution under which to hold the poll. There is no agreement on any of the crucial issues: of how power is to be shared between the centre and the regions, or between the ANC and the National party; of how the increasingly obstructive Chief Mangosuthu Buthelezi of the Inkatha Freedom party can be satisfied; or of how the threat of Afrikaner nationalism can be defused.

Even the Transitional Executive Council – that tentative first step to democracy – cannot be set up until a constitution is agreed. And agreement on the TEC itself was only reached after delegates decided to move out of their hotel rooms and cancel subsequent negotiating sessions, to leave no alternative but agreement before bedtime.

As political competition intensifies before the poll, the death toll can only rise

Multi-party talks will now focus on the first post-apartheid constitution, which has already gone through many permutations. Delegates believe it will be agreed by the end of October, but there is a significant chance of delay, dangerously jeopardising the election date.

Two significant issues will determine when agreement is reached, and whether the constitution has broad enough legitimacy to prevent civil war: the distribution of power between central government and regions, and the role of the National party in cabinet.

The current constitutional draft offers little in the way of devolution of power to regions: regional governments would have exclusive powers over only relatively minor areas such as gambling, traffic, language, culture and markets. Chief Buthelezi and other homeland (or regional) leaders contemptuously dismiss what they see as an offer to issue their own dog licences, and demand exclusive control over regional policing and other controversial areas. Government officials hope that both Chief Buthelezi and the Afrikaner Volksfront (an umbrella right-wing group which has gained strong white support in recent weeks) can be accommodated by giving some regions more powers than others.

But it is anybody's guess whether Chief Buthelezi will settle for autonomous local policing and perhaps a home guard for his regional base Natal – or even whether the ANC will offer it. The latter pays lip service to the need to accommodate the Zulu chief; but his increasingly aggressive behaviour raises questions over whether he is genuinely seeking a deal.

Pretoria and foreign governments alike are exasperated with his threats of civil war, and his refusal to compromise. Over the next few weeks, the government must negotiate with the ANC to make an offer Chief Buthelezi cannot refuse – and hope that he sees fit to accept it.

Equally difficult will be the task of persuading the Afrikaner Volksfront of retired General Constand Viljoen that Afrikaner autonomy can be gained without violence. So long as Gen Viljoen insists that blacks cannot be full citizens in an Afrikaner region, there will be no deal; but if he leaves the current round of talks without a deal on autonomy, his constituency may look to more militant leaders.

If neither Inkatha nor the white right can be brought on board, even the toughest crackdown could be insufficient to restore law and order – especially if the Zulus and the Afrikaners strengthen their current tactical alliance, and opt for violent resistance.

That leaves the question of the National party's role in the first post-apartheid government. The ANC has already agreed that it will share power with its former oppressors; but debate continues over how to ensure that whites (through the National party) have what amounts to a veto over important cabinet decisions.

This could be done by making Mr F W de Klerk the vice-president under Mr Mandela, and giving him veto powers over, for example, the budget and national security. Government sources appear willing to accept such a veto might be necessary only for the first two years of the five-year government of national unity; after that, a three-quarters or even two-thirds vote in cabinet might suffice. And, significantly, it seems unlikely that there will be any constitutional provision for power-sharing after the initial five-year period: the National party will hope to make itself indispensable to the ANC in that period – but not to force it to share power beyond 1999.

Somehow, the ANC and government must make a deal on this issue; for they must work together if South Africa is to have any hope of stability – not to mention the chance to give true democracy a try.

Joe Rogaly

Minnows but no whales

Be daring. Assume that Mr John Major survives as prime minister. Go on. It is a fair assumption. Put the odds at about 50-50 against, which is more favourable to the incumbent than his behaviour this week might suggest.

Whatever his intentions, Mr Major has given the impression that he is running scared. What other interpretation can be placed on the actions of a politician who celebrates the return of the busy season by popping up among regional party officials here and there, seeking to "restore morale"? The ordinary observer must assume that he is trying to save his job. It could have the opposite effect. The Liberal Democrats, which have been identified as the principal threat to the Conservatives in the south-west, will doubtless benefit from the attention thus focused upon them.

The prime minister invariably wins friends and admirers when he appears before small groups in person, but there is a physical limit to the number of people he can reach in that manner. There is no way around it. Mr Major will stand or fall by what he does in Number 10 Downing Street, by how he minds the shop. He needs a string of successes, or at least a period free of political disasters.

His chances of such a happy outcome are, as I say, a hair's breadth less than evens. The government still looks disunited, partly as a result of the cheeky public statements of a few cabinet ministers, Mr John Redwood prominent among them, and partly in consequence of the willingness of right-wing MPs to rush to the microphones and proclaim their aversion to this or that tax increase should it be brought forward in the November Budget. In reality nothing has changed since Mr Kenneth Clarke became chancellor in the late spring and immediately intimated, as I recorded at the time, that he saw little room for further spending cuts and could not rule out tax increases. He said as much in public before the summer holidays, and again this week.

If anyone can traverse the budgetary minefield and live to tell the tale, it is Mr Clarke. This may be less difficult than it seems. The chancellor and the prime minister are both aware that a vote against a finance bill is a vote of no confidence that could bring the government down and put Labour in. Few of the posturing rebels would risk that. It is therefore reasonable to postulate that Mr Major may see an end to his period of lame-duckery.

It is not only civil service cunning that is in the way of radical reform. Most regulations are there for a reason

If so, he may derive satisfaction from the promotion of a series of small improvements to everyday life. The schemes to bring about "open government", the citizen's charters, and the plans for deregulation are all close to his heart. None of these, taken separately or regarded as a bundle, will make heroic headlines. All of them reflect the character of the prime minister. Details fascinate him. Small incremental improvements are his stock in trade.

With some passion, he has inscribed the word "deregulation" on his banner. Expect many minnows, but no whales. A 1985 white paper, Lifting the Burden, trumpeted the forthcoming removal of red tape. Silence followed. It was disturbed only by the soft flap of pages of new regulations as they accumulated on lawyers' shelves. When Mr Major entered Number 10 he found a "deregulation advisory panel" with an address somewhere in Whitehall. It has been lost again, but may still exist. His undertaking at last year's Conservative party conference to send Mr Michael Heseltine swooping through the regulatory jungle has been followed up, in spite of Tarzan's illness, by the appointment of eight "taskforces", most of them headed by businessmen.

Departments have dutifully presented lists of good intent. The taskforce reports must be in by October, to support a deregulation bill to put before the new parliament in November. The government is not open enough to indicate whether this will specify laws that must be amended or scrapped or whether, as some propose, it will be a "Henry VIII" bill – the type that says, in effect, that a given minister (Mr Heseltine?) may do as he pleases and let the House of Commons know when it is done. Many existing regulations can anyway be withdrawn or changed in the same manner as they were imposed: by ministerial fiat. So can departmental procedures, circulars and advisory notes.

Rest assured. Something will come of it. How much? As little as civil servants and ministers think must be sacrificed in order to get the prime minister off their backs. It was the same with open government and the charters. Improvements will unquestionably result. I have seen some myself, as with the charter's effect on social security office turnround times.

But officials and ministers retain control over important information, internal working practices and the power to regulate. Mr Major might revolutionise the culture of Whitehall if he had a decade in office, but that length of tenure is no longer certain.

It is not only civil service cunning that is in the way of radical reform. Most regulations are there for a reason. Entrepreneurs, instinctive anarchists to a man or woman, naturally cheer when the government promises to tear up thousands of rules – unless the ones that are scrapped protect them or their immediate interests. You may rejoice at the news that care homes, in some of which some FT readers have invested substantial amounts, may be freed from the costly attentions of pettifogging inspectors. You would react quite differently if you heard that elderly residents, confused and helpless, had fallen victim to unscrupulous managements of laxly regulated establishments. This week's hullabaloo over the possible relaxation of the rules governing the registration and inspection of private residential and nursing homes is a perfect illustration of the deregulators' dilemma.

Last month a report prepared under the chairmanship of Sir Peter Levene recommended the creation of a regulatory review commission. The government rejected it. You can see its disadvantages. It might conduct business in the open. Citizens might have access to its workings. And it might take control of deregulation away from the permanent secretaries. It would be almost as bad as a freedom of information act. The mandarins' defensive strategy, which is to give little while seeming to give a great deal, would be blown. They need have no fears. At least for now. Whitehall is safe in Mr Major's hands.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Real world of stock valuations

From Mr James McNaught-Davis.

Sir, Tony Jackson, in his interesting article, "Peril of losing touch with the real world" (August 13), concerning the fact that stock market valuations reflect economic expectations implicit in all the available economic and political data rather than current industrial performance, makes a fundamental error and is guilty of an important oversight.

He declares, incorrectly, that dividends are paid from profits when they are clearly a cash cost of running a business and as such are paid out of cash flows.

It is true that it is unusual that dividends exceed post-tax profits. It is by no means unheard of, though, in an age when institutions such as M&G would prefer dividends to be paid even if a rights issue is required to repair the damage to the balance sheet from the cash outflow.

He rightly notes, however, that the price/earnings ratio is "one of the simplest methods of [share] valuation". Indeed, in the US more attention is paid to the ratio of share price to cash flow, even if EBITDA (earnings before interest, taxes, depreciation and amortisation) is merely a proxy for the latter and thereby omits the cash-flow implications of capital expenditure and changes in working capital.

His oversight lies in his failure to discuss the importance of the increased supply of capital to the stock market from investors, thereby boosting share prices and their multiples, when they find the yields available from cash and bonds relatively unattractive.

James McNaught-Davis,
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US

Markets do not destroy values

From Mr T Christopher McCoy.

Sir, Once again the market has come under attack for promoting the destruction of values that are the bedrock of social institutions. The dynamic within Lord Lawson's recent speeches may be "yesterday's battle" to Mr Cleaver (Letters, September 8), but I must disagree.

Mr Cleaver points to an array of the market's effects upon the social system, expressly focused on the ills of freedom. The result, he says, is the disincentive for long-term relationships and, in the end, broken or non-existent families. If one accepts Mr Cleaver's arguments wholesale, then maybe the answer should be an endeavour to create a "valued" economic system which would dovetail with the accepted boundaries of social and moral spheres. Those spheres would presumably include a strong family centre around which their members' lives could find meaning and comfort.

A daunting task indeed. Socialism was an outcrop of such general notions. It had its roots in the idea that the failures of a *laisser faire* market could be corrected by constricting it with specific social ends. It progressed, if that is the proper term, to forsake the market altogether and the results are plain to see.

I wonder how far the well-being (however one might define that expression) of Mr Cleaver's family would degenerate after 70-plus years if we heed his warning by limiting those freedoms and ignore the more familiar remarks of Lord Lawson?

T Christopher McCoy,
PO Box 6187,
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Virginia 23456-0187,
US

Government view on contract indemnity clauses

From Mr Tony Baldry.

Sir, The headline in your report, "Government backs down on tendering" (September 7) may have given a misleading interpretation of the government's view on indemnity clauses in tendering contracts. The report related to the action of South Lakelend District Council, which had required tenderers for a compulsory competitive tendering contract to provide an indemnity against the contingency of the contract, if entered into in the belief that no transfer of undertaking was involved being at some later dated ruled to be subject to the Transfer of Undertakings (Protection of Employment) regulations.

In such an event, the government's view is there would not normally be any question of financial liability on the transferor authority. It takes the view that local authorities do not normally have any cause to require tenderers to provide indemnities, and any such requirements are liable to be anti-competitive and in breach of CCT legislation.

In the South Lakeland case, the department took the view that it was not appropriate to take statutory action against the council; we believed that – notwithstanding the council's unjustified action in asking for indemnities – there had in this case been a reasonable competitive response.

But in notifying South Lakeland of its decision, the department emphasised the principle that indemnities were not normally appropriate, and clearly spelled out that "Where an authority seeks to incorporate an indemnity clause in [CCT] contract documentation, the secretary of state may decide to take statutory action".

Compulsory competitive tendering has given local residents and tax payers better services and lower costs. The government will continue to deal firmly with authorities which seek to restrict competition with unreasonable contract conditions or any other kind of anti-competitive action.

Tony Baldry,
environment minister, Department of the Environment,
2 Marsham Street, London SW1

Steamrolling corporate Names plan is not justified

From Mr Alan Porter.

Sir, Richard Lapper ("Lure of profits tempts corporate Names", September 8) is quite right to sound a note of caution about existing Names' approval of Lloyd's rules for corporate Names.

The action groups, which are well organised and command more than half the voting membership of Lloyd's, do not believe that the need for corporate capital in 1994 is sufficiently acute to justify steamrolling the new proposals in advance of evidence that Lloyd's will be producing an acceptable settlement of Names' present claims for negligence and breach of contract.

Although the admission of corporate capital must be regarded as a sensible long-term measure, it must be at the right time and in the right way. Unless assurances are forthcoming, the membership may well decide to vote down the council's proposals at the EGM on October 20.

Alan Porter,
chairman, the Cuthbert Heath Names Association,
chairman, the Devonshire Names Action Group,
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Union members remain committed to collective bargaining

From Dr Alexandra Ouroussoff.

Sir, David Goodhart, in his article "On the lookout for the vision thing" (September 6), reports that collective bargaining between employers and trade unions is declining. I detect (from my own research with trade union members) an ideological bias in the analysis he offers of this important development.

Goodhart interpets this trend as "the tailoring of union activities to individuals", citing a 1992 survey by the National Union of Public Employees in which respondents put "advice on disciplinary issues and grievances" ahead of collective wage bargaining in a list of their reasons for joining a trade union.

From this he argues a need for trade unions to concentrate on providing services to individual members, if they are to survive. This, he says, is in accordance with the members' wishes.

I agree that this kind of service is increasingly valued by trade unionists. Goodhart, however, overlooks the real reason for the response by Nupe's members. My own work with other unions suggests that it is the dramatic increase in workplace intimidation by employers and managers in the past decade that has brought the issues of discipline and grievance settlement to the forefront of unionists' minds.

I have seen no evidence that employees are losing interest in collective bargaining over wages, especially in these difficult economic times, only that they now want stronger representation in disciplinary and other workplace issues added to the unions' traditional role in defending wages – which are, after all, the reason why they go to work.

Goodhart seems to interpret the Nupe survey as confirming a supposed trend towards an increasingly individualist society. But surely it is the collective strength of the trade union movement that leads employees to take their disciplinary and other grievances to their unions in the first place.

We should beware of undisputed fact being used to support dubious, politically inspired myth.

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Plus ça change across Europe

THE CASUAL observer, returning tanned from a long news-free vacation, could be forgiven for thinking that nothing has changed in Europe's tense and turbulent foreign exchange markets. The Bundesbank continues to tease the traders, yesterday delivering an unexpectedly large cut in official interest rates. Meanwhile, much of the rest of Europe – France, Belgium and Denmark in particular – continue to shadow the D-Mark and assume the punishingly high real interest rates that Bundesbank policy implies.

But the world has changed. The collapse of the hard version of the exchange rate mechanism in late July has removed the last remaining rationale for these suicidal policies. Moreover, yesterday's rate cut, and the market response to it, confirm that policy changes must come. First, domestic conditions in Germany mean that monetary policy is not going to fall fast enough to suit the rest of Europe's needs. Second, the rise of the D-Mark against the dollar is tightening the economic squeeze across the rest of Europe, and thus hastening the day when interest rates will have to fall below those in Germany.

It may seem strange that the D-Mark should rally against the dollar in response to a *cut* in official German rates. German three-month market rates remain over three percentage points above rates in the US, while 10-year yields are over one point higher. But economic trends seem to imply lower German rates and higher US yields. So why has the D-Mark risen by 6¾ per cent against the dollar since June?

Slow pace

The explanation is to be found in the economic news that has emerged over the summer on both sides of the Atlantic. The Bundesbank has signalled unambiguously that the slow pace of monetary policy easing will continue throughout the autumn. Monetary growth remains above its target range and at the top of the Bundesbank president-elect's list of concerns. Yesterday's discount rate cut makes room for more easing. But the 'repo' rate was cut by a mere tenth of one per cent, suggesting that this space will be exploited slowly.

The headline German economic indicators send uncertain signals. Output rose by half a per cent between the first and second quarters, while industrial orders grew by 3 per cent in July. This growth was largely driven by the stock-building while German industry remains under severe pressure. But short-and long-term real interest rates are not punitively high, at least by French standards.

Reduced forecasts

In the US, by contrast, the economic news has been bad. Output in the second quarter grew at an annual rate of 1.8 per cent, slightly slower than in Germany; employment fell again last month, and the Clinton administration has reduced its forecasts of US economic growth to 2 per cent this year, from 3.1 per cent as forecast in April. Of course, the US recovery will eventually accelerate – short and long-term real rates are very low and anecdotal evidence suggests that the housing market is beginning to lead a pick-up in spending on consumer durables. But the next move on US short-term interest rates could still be down.

This is why foreign investors have been happy to stay in Germany. Over the next year the recent D-Mark rally may well unwind or worse; for the moment, the currency is rising. What is perverse is the desire of much of the rest of continental northern Europe to rise with it. In France, that means that the key intervention rate has not fallen since July's crisis, that short-term real interest rates remain in excess of 5 per cent, that output is depressed and that unemployment is both very high and rising. In Belgium, recent interest rate increases are deepening the fiscal crisis and weakening the currency while not easing market fears.

Europe ought now to let the D-Mark gyrate alone. There is no fundamental reason why the French franc ought either to follow the D-Mark down next year or up over the coming months. The best thing for continental Europe governments would be to acknowledge that the D-Mark's fluctuations reflect German instability, to ignore Bundesbank council meetings and to set domestic interest rates according to domestic needs. The sooner they recognise that the world has changed, the better.

Government à la Gore

THE DIFFERENCE between Vice President Al Gore's proposals for streamlining the US federal government and the many similar plans advanced in previous decades is largely one of motivation. The Clinton administration believes in government: the purpose of this performance review was thus at least as much to improve the public sector's effectiveness as it was to curb expenditure by "cutting it down to size". As President Bill Clinton put it this week: "Government is broken and we intend to fix it."

The title "reinventing government" is, however, misleading. Mr Gore's study asked how government performs, not what it should do. There was no discussion of larger questions, such as the appropriate role of government in the 21st century or the proper distribution of responsibilities between federal and lower levels.

The reforms proposed, moreover, are mostly tame. Mr Gore sets four main priorities: cutting red tape, putting the customer first, empowering employees by decentralising authority, and eliminating obsolete services. He emphasises the importance of consumer choice and market forces. Agencies, for example, will be encouraged to contract out services to the private sector. He urges government to copy the latest management fads of US companies. He says government must concentrate on achieving results rather than setting rules and learn to "steer, not row". These fine sentiments hardly amount to a redefinition of government. There is little here that has not been tried in Britain and other countries.

Given the US's reputation for entrepreneurship, Mr Gore's charge of "paralysing inefficiency" in the public sector may come as a surprise. But there are good reasons why US government tends to be rule-bound and inflexible.

Elaborate procedures

The calibre of its civil service is probably lower than in many European countries, reflecting reliance on short-term political appointees, and the greater relative attractions of private sector jobs. Rules for agencies are highly complex – partly because of a long-running battle between the executive and the legislature and partly because elaborate procedures have been invented to prevent discrimination against minorities and reduce the scope for corruption. The inability of officials to improvise or use discretion partly reflects a justified fear of lawsuits. None of these underlying causes of rigidity are properly addressed in Gore's report.

Obvious targets

It does, however, identify a number of obvious targets for reform. A century after industry replaced farming as the principal economic activity, the federal agriculture department still operates more than 12,000 field offices, an average of nearly four per county, whether rural, urban or suburban. Yet having emphasised the absurdity of this, the report proposes closing only 10 per cent of them.

The administration claims that the 800 proposed reforms will save $108bn over five years and reduce the civilian federal workforce by about 252,000 (roughly 12 per cent). But few of the savings are spelt out in detail. It is simply asserted, for instance, that more efficient procurement will save $22bn over five years. The only merger or elimination of departments envisaged – a partial transfer of powers from the Drug Enforcement Agency to the FBI – is opposed by powerful members of the cabinet. The ambitious staff cuts are to be achieved largely through natural wastage and incentives for early retirement.

Previous attempts to reorganise federal government have gone nowhere. This time there is a greater chance of progress. Mr Clinton is interested in the topic of government reform in a way that Mr George Bush, for example, was not. Polls suggest he badly needs to convince sceptical voters that the public sector is competent to carry out his activist agenda. "Reinventing government" seems a perfect vehicle for establishing his credentials as a centrist "new Democrat" and neutralising the political appeal of Mr Ross Perot. There is thus no doubt that Mr Clinton will make many rousing speeches about the need to streamline the federal bureaucracy; but whether he will have the time or energy to see that Congress acts on many of the Gore proposals is far less certain.

How to stand out in a crowd

A marriage of technologies is one way forward for poorly performing consumer electronics groups, says Tony Jackson

There is something profoundly wrong with Europe's electronics industry. Last year, Thomson of France lost $300m in consumer electronics. Siemens of Germany lost about $600m in personal computers and semiconductors. Nokia of Finland lost $130m in consumer electronics. Philips of Holland made a net loss of almost $500m overall. The industry, it seems, has lost its way.

While the recession has not helped matters, the roots of the problem go deeper. Take, as an example, television sets. Industry executives will tell you that nobody has made money producing TVs in Europe for five or six years. Even the mighty Matsushita of Japan, which supplies Europe with Panasonic sets from a big new factory in Wales, has lost money in the UK market for a decade.

It is natural enough that companies should make losses on new products while they build up sales. But TV sets have now become a basic commodity, like cornflakes. Cornflake manufacturers make handsome profits: why not TV manufacturers?

Fortunately for electronics companies, parts of their industry can still be highly profitable: in particular, telecommunications and defence, where customers are mostly governments and markets are tightly restricted. But in free markets even the best companies find it hard to make a living. In an industry as vast and fast-growing as electronics, there should be room for everyone. So why do companies keep handing out their products for less than they cost to make?

Ten or even five years ago, European executives would have had a simple answer: the Japanese, with their trade barriers, their cheap finance and their obsession with market share. Now that the Japanese industry has troubles of its own this excuse is heard less often. Other excuses must be found.

Most of them are unpersuasive. In consumer electronics, executives say, the problem is the power of the distributors. This seems absurd. The world's biggest specialist electronics store chain is said to be Dixons of the UK. By comparison with the world's food retailing giants, Dixons is a tadpole. But the big food companies like Nestlé or Unilever enjoy margins of which electronics companies can only dream.

A more substantial argument has to do with the high cost of investment. Professor Walter Kunerth, executive vice-president of Siemens, says: "To set up a new technology costs a lot of money. To justify that expense, you have to build big capacity. Then you need volume to justify the capacity."

And, as the production chief of a consumer electronics group says, this makes it harder for companies to get out. "The barrier to exit in this game," he says, "is a high invested cost. If you're in it on a global basis, the sunk cost is huge." On the other hand, he points out, that same investment entails a very high depreciation charge. So even if a company is making losses after depreciation, it may well be generating cash. "That's why we all chase volume at the expense of profit," he says.

The snag about this argument is that, by implication, it writes off whole chunks of the industry as a giant commercial blunder. Companies are trapped by their investment mistakes of the past, and are thus obliged to throw good money after bad. While such things are not unknown elsewhere, it seems odd that a sophisticated industry like electronics should produce managerial incompetence on this scale.

There is a further argument to explain consumer electronics' demise which is perhaps more credible. "The industry has worn out its consumer appeal over the past 10 years," says the head of business development at a European group. To appreciate his point, ask yourself what make of radio you have in your kitchen, or what kind of TV in your front room. A surprising number of people cannot remember. But they do know what kind of car they drive or what brand of breakfast cereal they eat in the morning.

"Cars are an element of social distinction," the executive says. "A TV set is not. You can take pride in having a lousy TV set, as a sign of having better things to do with your time."

The manufacturers are thus in a jam. If you are looking to buy a video recorder or clock radio, you will tend to stick to a few names you know: Sony, Philips, Panasonic and so on. The manufacturers spend heavily on marketing to remain in that exclusive club. But the chances are you will base your final choice on price, since in other respects there will be little to choose between them.

Perhaps the fixation of consumers on price has a more basic cause. It is a truism in electronics to say products cost less than they used to, and in future will cost less again. This is mainly because of the industry's phenomenal record on productivity. "If Rolls-Royce had achieved the same productivity gains as the TV industry," says the business development chief, "a Rolls would cost the same today as a bicycle."

The snag for the companies is, of course, that the industry has given away all of these productivity gains to the customer. Worse, it has created a perpetually shifting environment in which the consumer cannot form an impression of what constitutes fair value. This kind of slippery slope is the nightmare of any consumer manufacturer or retailer; in creating it, the industry is the victim of its own success.

As if all this were not enough, there is the looming shadow of Japan. Historically, the low price environment worked in Japanese companies' favour. This can be simply illustrated in financial terms by comparing two giants of the world industry, Philips and Matsushita.

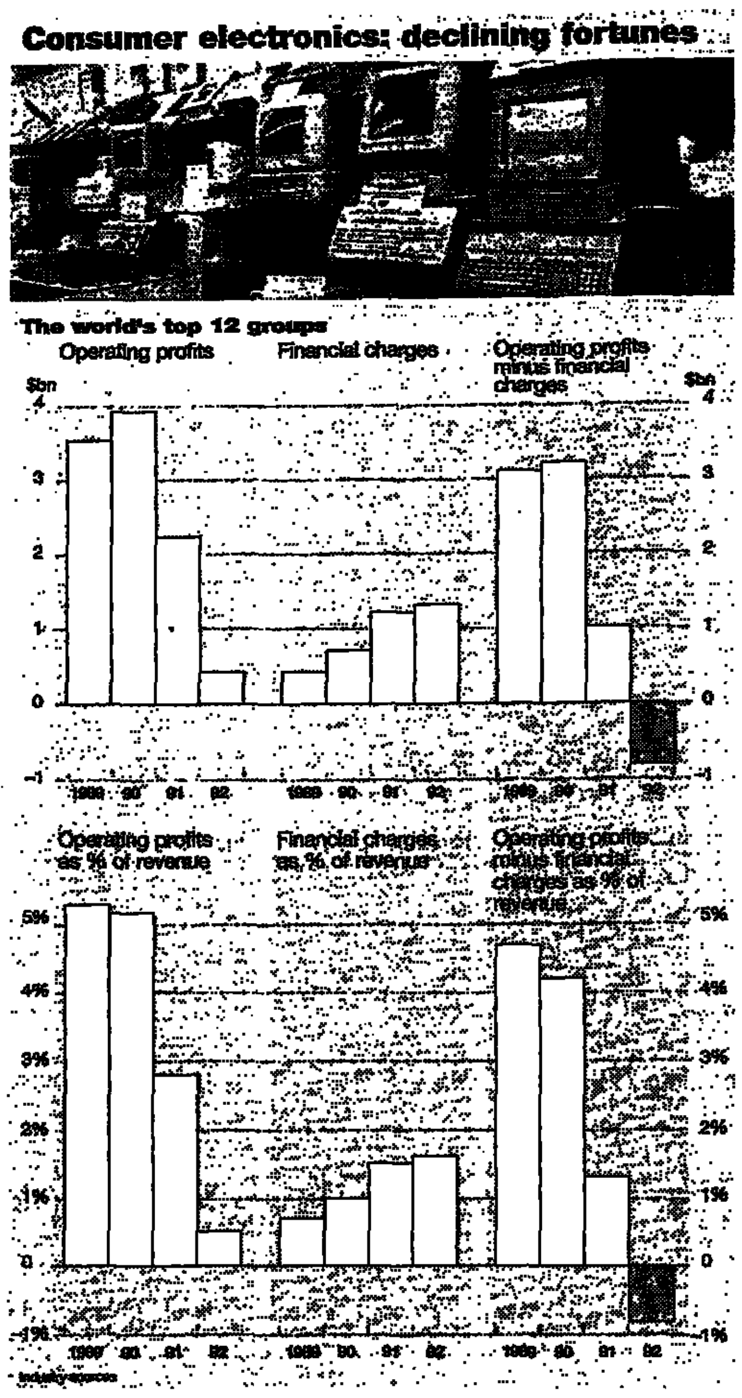
In 1982, Matsushita had sales of about $14bn, compared with Philips's $16bn. Since then Matsushita has kept its prices and margins relentlessly low, and its growth has been ferocious. By 1992 it had sales of $61bn, against Philips's $32bn. In a decade, the Japanese company went from being smaller than Philips to twice its size.

In the process, Matsushita built up formidable cash flow and balance sheet strength. Compare the financial performance of the two companies in last year's recessionary conditions. Philips's cash flow, net of capital investment and dividends, was $166m. Matsushita produced a torrential $1.9bn. Thus,

'If Rolls-Royce had achieved the productivity gains of the TV industry, a Rolls would cost the same as a bicycle'

while Philips's gearing ratio – net debt measured against equity – rose from 148 per cent to 167 per cent, Matsushita's fell from 42 per cent to 31 per cent.

If this sounds too one-sided to be true, there are signs it may be changing. Japanese giants are under pressure on two fronts: their domestic market has fallen sharply, and their shareholders are demanding more profits and dividends to compensate for the share-price collapse over the past two years.



In Europe, this results in the bizarre spectacle of Japanese companies pleading for higher prices. Mr Katsuro Sakakibara, Matsushita's main board director in charge of European operations, says: "We have raised our selling prices twice this year. Very few of our competitors raised theirs. We cannot operate at a loss, and also we feel someone must sell at a reasonable price. It is then my strong hope that other people will correct their attitude to pricing. So far, nothing has happened."

"Beyond a certain level," an executive of a European company says, "the price war doesn't make sense. I'm convinced the tougher economic environment in Japan will make Japanese companies more reasonable in the long run. They cannot expect to compensate huge price declines with huge volume increases, as they did in the 1970s and 1980s. There are fewer companies left to kill, and those that are left don't want to die."

And, the executive points out, Far Eastern competitors no longer have the access to cheap capital they used to have. "The Japanese and Korean companies used that capital to build up stocks," he says. "Nowadays, they will find volume increases expensive to achieve."

But if this takes pressure off European companies in the short term, no one believes it solves the fundamental problem. It simply means the Japanese are in the same boat as everyone else. So how is the industry to achieve its salvation?

Dr Ron Sommer, head of Sony's

'The same companies may compete in one field and co-operate in another. This is only possible if you have mutual trust'

operations in Europe, gives a clue. "When you think about competitors," he says, "you perhaps think about Philips, Thomson and Matsushita. I don't. I think about the telephone companies and the computer companies. Those markets are intermingling."

The industry, he argues, will look different as a result. "On the one hand, there may not be so many companies. On the other, you will categorise them differently. You will start to look at telecoms, computer and entertainment companies in one block rather than clearly separating them. That doesn't mean I see Sony in the 21st century producing a mainframe or putting a telephone line from the US to Europe. I don't see IBM or AT&T producing a Walkman either. But there are plenty of new businesses where we will cross over. Tomorrow, there may be a video dial tone to your home via the telephone line. That must have something to do with Sony."

A European rival agrees. "In 10 or 15 years, personal communications, computers and so forth will all be one world. That probably will mean alliances. It's difficult to assess what kind: mammoth new companies, or consortia of companies often in unrelated industries with ties of cross ownership along the lines of the Japanese *keiretsu* model. It's impossible to be clear. But it is clearly a world where levels of investment and barriers to entry will rise."

This process of rationalisation and co-operation is not confined to consumer electronics. Siemens, as Professor Kunerth points out, has already formed an alliance to develop the technology for the 256 M-Dram chip, the next generation computer memory chip, with Toshiba and IBM. "The development cost alone runs into billions," he says. "Then you have to decide to set up a factory. To get the pay-off on your R&D the factory has to sell high quantities, which can only be done worldwide. I don't know where the factory will be, but there will be only one to supply the world market."

All this, he argues, is the inexorable result of increased technological sophistication. "The higher the level of technology, the more the need for capital, the fewer the players and the greater the need for a big market. With a 256 M-Dram, you can do things with one component where you needed 10 or 20 before. So the total quantities go down, which puts more pressure again on the number of players."

In this process, the companies will start to look very different. To the outsider, Professor Kunerth says, Siemens may seem a monolith. Below the surface, various alliances are developing. "Different companies within Siemens have different kinds of co-operation with other companies. It can be a marketing co-operation, or a development co-operation, or even a joint venture, such as we have with Matsushita in passive components [commodity devices]. On the one hand, you have to concentrate on your core competencies. On the other, you have to sell businesses, co-operate, go into minority positions and so on."

The result could be a series of loose federations, in fact, a new kind of capitalism. "The future structure of our industry will be much more complex," Prof Kunerth says. "The same companies will compete in one field and co-operate in another. This is only possible if you have mutual trust and common business ethics. If you have been hitting someone on the head for years, co-operation is very difficult."

This, then, is the vision of the future: a world in which the mingling of technologies and the rising burden of investment mean there are only two or three dominant players in a given area. The fewer the competitors, the less the competition and the higher the profits.

There is one big risk. The industry got itself into this mess in the first place by pumping out volume to justify past investment. It is now talking about still greater investment, requiring still greater volumes. What is the guarantee that in the brave new world, the old suicidal competition will not continue?

"I can't say," Prof Kunerth says simply. "But it's the only way. If you don't do it this way, you're certain to lose money. You won't survive."

OBSERVER

Pissaloux passé?

■ Jacques de Larosière has just made his first visit to the European Bank for Reconstruction and Development since becoming president-elect of the bank.

In a speech to directors and vice-presidents, he hinted at changes that pleased almost everyone.

Moreover, with a political deftness learned at the Bank of France and the IMF, he took considerable care not to make any binding commitments.

The directors were delighted when he promised to consult them on strategic issues rather more than had his predecessor, Jacques Attali.

However, one executive who might be feeling vulnerable following de Larosière's speech is Pierre Pissaloux.

Pissaloux was in charge of the inordinately expensive project to fit out the bank's London headquarters.

Originally, he had two grand titles at the bank. At the start he was both budget director and director of the president's cabinet; but following the news of the bank's high-spending on its refurbishments, Pissaloux relinquished the budget job.

Now his remaining responsibilities would seem to be under a sword of Damocles – de Larosière has apparently informed the EBRD's directors that he sees no need for a presidential cabinet.

Undermined mole

■ Poles are beginning to feel a little edgy about who, constitutionally, controls their secret police service, known as the UOP.

The circumstances surrounding the dismissal last Friday of Adam Hodysz, the chief of Gdansk's secret police unit and one of Solidarity's heroes, have now been taken up by Prime Minister Hanna Suchocka. She plans to start an official inquiry into the affair.

Hodysz, 53, was the Gdansk dissident movement's mole in the local secret police headquarters from 1978 till his arrest in 1984, when he served a four-year prison sentence for his pains.

Hodysz is also acclaimed for having warned Solidarity's leadership about the imminent imposition of martial law in December 1981.

In the post-communist era Hodysz was reinstated, his moral credibility as high as that of anyone in Poland. He was appointed chief of the UOP in Gdansk in early 1990.

What has got the gossips going is that Hodysz's replacement is Henryk Zabicki, another secret policeman who first caught Lech Walesa's eye in 1985, while in charge of watching the future president. Zabicki has more

'I want to pay off all my credit card debts with my new low-interest card'

recently managed the security guards protecting the president's children in Gdansk.

Constitutionally, the hiring and firing of security officials lies with the government, not the presidency. But some observers detect the presidential hand in the otherwise puzzling demotion of Hodysz.

Stage fright

■ Superstitious thespians always take care to refer to Shakespeare's Macbeth as "the Scottish play", since a direct reference to it is supposed to risk incurring bad luck.

Could it be that Glasgow's Forte Crest hotel has an ex-actor for its manager? Observer's contacts within the Confederation of British Industry say it decided temporarily to rename the Lamont Suite as the Scottish Suite, during Kenneth Clarke's sojourn last night after his address to the annual dinner of the Scottish Confederation of British Industry.

But it was clearly a joke; the duty manager at the hotel said Clarke stayed in the Buchanan Suite and that there were no plans to rename the aforementioned suite.

Shirty theory

■ We know the British Broadcasting Corporation is watching its pennies – who isn't? – but the paucity of some of its prizes is no deterrent to Russian listeners.

The BBC's external services recently ran a competition which invited Russians to speculate on the likely rouble-US dollar exchange rate for midsummer.

Prizes were two copies (in Russian) of Paul Samuelson's standard economics text book – bane of many a western undergraduate's life – plus a handful of electronic calculators and BBC pens.

The competition attracted 1,389 replies, some from far-flung regions. But the response from one Russian schoolgirl reveals that a certain western cynicism about economic theory has begun to filter through; she asked for a BBC T-shirt instead of the Samuelson.

Photo-fit

■ Ingenuity was sorely tested when anti-Maastricht treaty campaigners this week began preparing the effigy of foreign secretary Douglas Hurd, which swung from gallows in Hexham, Northumberland, yesterday to mark the laying of treason charges against him.

"We tried all the joke shops to get a mask of Douglas Hurd but we couldn't find one anywhere; they only had John Major," says David Moon, one of the Essex anti-federalists involved in the body-building. In the end they had to compromise and stuck a photograph of Hurd on to the head of a dummy.

Meanwhile, making the gallows proved a bit more tricky. But necessity facilitated invention and, quips Cheltenham-based Melvyn Rendell: "We've got the blueprint. We'd be happy to go on Blue Peter."

Handy work

■ Quote from a royal spokesman about the souvenirs on sale at Buckingham Palace, recently opened to tourists for the first time: "The goods are handmade, not mass-produced, and they just can't get them off the production line quickly enough."

FINANCIAL TIMES
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Dow Corning proposes $4.75bn in benefits

Health fund planned for silicone implant cases

By Karen Zagor in New York and Clive Cookson in London

WOMEN with silicone breast implants may be eligible to a share of up to $4.75bn in health benefits over a 30-year period under a proposal being discussed by both sides in litigation over implants.

Manufacturers of implants are facing thousands of lawsuits by women claiming they cause diseases of the immune system.

Dow Corning, once the world's biggest makers of silicone breast implants before it withdrew from the business last year, said discussions had progressed to a point where a proposal had been developed and was under review.

The Michigan-based company, a 50-50 joint venture between Dow Chemical and Corning, said the $4.75bn benefits would be funded jointly by industry participants, including manufacturers, raw material suppliers, insurance carriers, physicians and other healthcare providers. Details of how much each participant would contribute have yet to be determined.

Mr Gary Anderson, Dow Corning executive vice-president, stressed the preliminary nature of the proposal. "There are still many steps to go through and conditions to be met before a settlement can be implemented." He described the proposal as "essentially a 30-year insurance policy for women with implants so that they won't have to worry about being protected in the future."

After the defendants and trial lawyers agree on a formula for sharing the settlement, there will be public fairness hearings across the US to ensure that it is fair to women with implants.

Dow Corning and other manufacturers deny implants are unsafe, although they have been banned from widespread sale in the US. Bristol-Myers Squibb, a former manufacturer, said it "denies all liability and has entered the discussions to avoid protracted litigation. It should be noted scientific research has not established a link between implants and disease."

Dow Corning has already committed $10m to research the safety of implants "and we will probably end up spending $20m which will not be part of the proposed fund," said Mr Anderson.

The company said the proposal "could possibly have a material adverse effect on the company's consolidated financial position."

Lawyers representing British women taking legal action against Dow Corning welcomed the principle of a global settlement, but were unhappy with the prospect that plaintiffs living outside the US would receive much less compensation.

Swiss court suspends ban on Olympique Marseille

By Alice Rawsthorn in Paris

OLYMPIQUE MARSEILLE, the troubled French football club, yesterday won the first round in its legal battle against exclusion from the European Champions' Cup when a Swiss court temporarily suspended the ban pending a final ruling.

However, Fifa, the world football authority, stepped up pressure on Marseille when it urged the French football authority to exclude the club from the domestic league unless it abandoned its battle against the ban.

Marseille, which last season became the first French team to win the European Cup, is fighting to overturn the decision on Monday by Uefa, the European football authority, to ban it from this season's European Cup because of a bribery scandal. Club officials have been accused of trying to bribe players in a rival French team to rig a crucial league match last season.

The ban threatened to drive the club, which is chaired by Mr Bernard Tapie, the flamboyant French businessman and Socialist former minister, into bankruptcy because of the loss of the estimated FFr150m ($26.3m) the club had expected from its European games. Yesterday, Mr Tapie vowed to stay on as chairman.

A final court ruling on the Uefa ban is expected within days.

Fifa has threatened to force the French football authority to exclude Marseille by invoking article 42 of its statutes.

Mr Sepp Blatter, general secretary of Fifa, said the threat was aimed at the Marseille club, but the ultimate penalty in article 42 would be to ban all French teams from international games and thus exclude France's national team from the World Cup, where it is doing well.

The French football federation said last night that it could not comment on Fifa's statements until it had studied the Swiss court's decision.

However, Mr Noël Le Graët, president of the FFF, said the temporary suspension was "fantastic" for Marseille.

Defection forces general election in Greece

By Kerin Hope in Athens

THE Greek government was forced to resign yesterday after losing its one-seat parliamentary majority through the defection of a little-known conservative backbencher.

A general election will be held on October 10, seven months before the conservatives' four-year mandate was due to end.

Mr Constantine Mitsotakis, the prime minister, announcing his cabinet's resignation, accused his political opponents of sabotaging the government's efforts to implement economic reform.

"Greece cannot make progress in an atmosphere where the government's work is being constantly undermined," he said.

Mr Mitsotakis has faced as much criticism in recent months from within his New Democracy party as from the socialist opposition, with dissent focusing on the government's plans for partial privatisation of OTE, the state telecoms company.

However, it was only this week that Political Spring, a conservative splinter group, launched a co-ordinated campaign to bring down the government.

Its leader, Mr Antonis Samaras, who was sacked as foreign minister by Mr Mitsotakis last year for his unwillingness to compromise on recognition for Macedonia, appealed to his half-dozen supporters among New Democracy deputies to leave the party.

Until yesterday only one deputy, Mr Stefanos Stefanopoulos, a close ally of Mr Samaras, had declared he would sit as an independent. However, the unexpected departure of Mr George Symbilidis left New Democracy with only 150 seats in the 300-member chamber.

Mr Mitsotakis, who has little personal support among the Greek people, cannot have much hope of being returned to power as head of a government.

The government's approval rating has plummeted in the past year as recession has deepened and the effects of structural reform, including wage-capping and reductions in public sector hiring, have started to be felt.

The Panhellenic Socialist Movement is well ahead in the opinion polls, despite doubts that its ailing leader, Mr Andreas Papandreou, would be strong enough to act as prime minister.

The prospect of a change in government shocked the Athens stock market, where the index dropped 6.8 per cent yesterday.

Pasok says it is determined to abandon the conservatives' privatisation programme, which was expected to yield more than Dr300bn ($1.32bn) in revenues this year.

With tax receipts lagging far behind the budget forecast the loss of privatisation income would cause a substantial shortfall in government revenues.

Bundesbank

Continued from Page 1

tional criticism of Germany before the annual meetings of the International Monetary Fund and World Bank in Washington later this month.

In an interview with Germany's VWD news agency, Mr Schlesinger said that pressure on price increases in Germany had "quietened down".

His remarks, coupled with the Bundesbank's comments, suggested that there would be a distinct slowing of inflation, currently running at an annualised 4.2 per cent.

Outside the ERM, the Bank of Italy yesterday cut its discount rate from 9 per cent to 8.5 per cent, the lowest level since 1976. Commercial banks immediately realigned their lending rates by a similar amount.

Mercedes-Benz sites

Continued from Page 1

Europe has been built in the UK with the development of three plants by Nissan, Toyota and Honda, the Japanese carmakers.

The European car industry is already suffering heavily from a growing burden of overcapacity, but Mercedes-Benz is forced to build a plant, for its first entry into the small car market.

Mr Werner said the plant would be dedicated to the small car and would not produce any other Mercedes-Benz ranges.

Mercedes-Benz's decision to build a small car marks a dramatic change of policy by the German luxury carmaker, which is also planning to expand into other market segments for four-wheel drive leisure utility vehicles, and multipurpose vehicles. At the Frankfurt motor show this week the company unveiled a concept car, the Vision A 93, a forerunner of the small Mercedes-Benz. The Vision A 93 has an aluminium body and the engine and gearbox are located beneath the passenger compartment.

Mr Werner said yesterday that the small car, which will be shorter than a Ford Fiesta or a Renault Clio, would enter production "in 1997 at the latest".

Mercedes-Benz is seeking to spread the manufacturing of its passenger vehicles outside Germany.

Mr Werner said that a decision would be announced around the end of September on a location in the US for its new plant to build the planned four-wheel drive leisure utility vehicle.

THE LEX COLUMN

Papering over the cracks

The habit of paying investors with non-existent money seems to be getting out of hand. By passing a cash payout and going for an enhanced scrip dividend, companies are trying to conserve cash as well as avoid advance corporation tax. Perhaps the recent rush implies a fear that the wheeze will be extinguished in the November budget. Yet an outright ban looks unlikely since in the last budget the chancellor said he wanted to ease the problems of companies with genuine ACT problems.

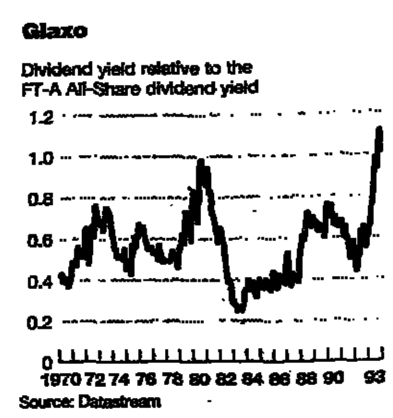
That said, the government's promised proposals on how to resolve ACT difficulties are unlikely to provide a universal method of avoiding the tax. Surplus ACT can arise because a company has very large overseas operations and insufficient UK earnings to offset ACT payments. But those companies which have seen UK earnings collapse, yet have maintained their dividends at an unrealistically high level, also have the problem. A distinction between the two seems valuable.

That division is increasingly seen in the market, where scrip dividends from companies with overseas earnings problems can still get a reasonable reception, but where those with high dividends, high gearing and negative cash flow feel a certain chill. Investors should ask themselves about the credibility of the implicit promise that comes with an enhanced scrip dividend. The paper they are offered is only worth money if the company can afford to service the increased equity base in future years. For those like Ladbroke and T&N with uncovered dividends and high gearing, that promise may prove paper thin.

FT-SE Index: 3031.2 (-4.2)

Glaxo

Dividend yield relative to the FT-A All-Share dividend yield



Source: Datastream

Glaxo

Rarely can a company with such an embarrassment of riches have faced such uncertainty. In addition to price competition and government regulation, Glaxo must cope with threats to Zantac, the ulcer drug which accounts for 44 per cent of sales. The legal challenge to Zantac's US patent now in progress is the first hurdle. Generic and over-the-counter versions of Tagamet, the rival ulcer drug, are not far behind. Although yesterday's generous dividend increase marks an acknowledgment that the £1.8bn cash pile cannot grow unchecked, Glaxo has good reasons for not handing back more by way of a share buy-back.

Yet Glaxo's return on capital has fallen for each of the past six years as cash has accumulated. That cannot be ignored indefinitely. So far the answer has been to plough resources back into the business at an accelerating rate. Planned research and development spending of £850m this year will be double the level of 1990. The growth of Glaxo's new drugs suggests that past investment is delivering an acceptable return. Whether the next wave will do so – in the face of tougher regulation and competition – remains open to doubt.

The cash issue will then have to be addressed again, especially if Zantac's patent is secured. In the meantime a yield well above the market average makes the risks more palatable.

BTR

There are real reasons for disappointment with BTR's first half results. The operating margin has fallen; profit before interest would also be down without the effect of exchange rate changes. But BTR's failure to deliver strong organic growth only adds to the impression that it looks in need of an acquisition again.

Unlike Williams, whose results also disappointed earlier this week, BTR's balance sheet is increasingly able to support such a move. Gearing has fallen by 8 percentage points since December. The disposal of Newey & Eyre and the enhanced scrip dividend will reduce it by about 12 points more. A year from now the cash outlay on restructuring acquisitions could have dwindled to a trickle.

Yet, if an acquisition looks both desirable and affordable, a suitable target may be hard to find. At current market levels a contested bid for a listed company could be prohibitively expensive. Shopping for an agreed trade purchase might not yield anything large enough. The most interesting opportunities could lie overseas. BTR's enhanced scrip dividend would make greater sense if it reflected a realisation that an even larger proportion of future earnings would be generated abroad.

Cadbury Schweppes

Too big for the UK, too small for the world, Cadbury Schweppes has long wondered how to acquire critical mass in overseas markets without jeopardising its earnings record. Merging a series of small beverages businesses appears a neat solution for the US. The ultimate prize would be the creation of a cash generative franchise business controlling almost half the non-cola market. Its realisation, however, is fraught with pitfalls. Cadbury has first to secure A&W Brands; it then has to persuade Dr Pepper to sign up to the plan. A full bid for Dr Pepper has become a lot harder since the latter swallowed its poison pill. The final fear would be that even if Cadbury did make a splash in US beverages it would only provoke a scrap with the two cola giants in their own backyard.

Cadbury must prove that the risks of creating a third force in the mature and competitive US market are not so great as to detract from its other virtues. The 9 per cent increase in its underlying earnings highlights its considerable trading momentum. Its investments in China and Poland signpost fruitful avenues of expansion available elsewhere in the world.

Bundesbank

Since the Bundesbank has acquired a reputation for only cutting interest rates when the market does not expect it, yesterday's cut should perhaps have been expected after all. The background has barely changed since its last meeting, so yesterday's move appears basically technical. It has restored a more normal relationship between money market rates and the discount rate, which in turn gives Mr Hans Tietmeyer greater operational flexibility during his first weeks in office as president.

The meagre 10 basis point cut in the repurchase rate must disappoint France. Its dilemma over when and whether to move below German rates is all the more awkward as its foreign exchange reserves remain negative.

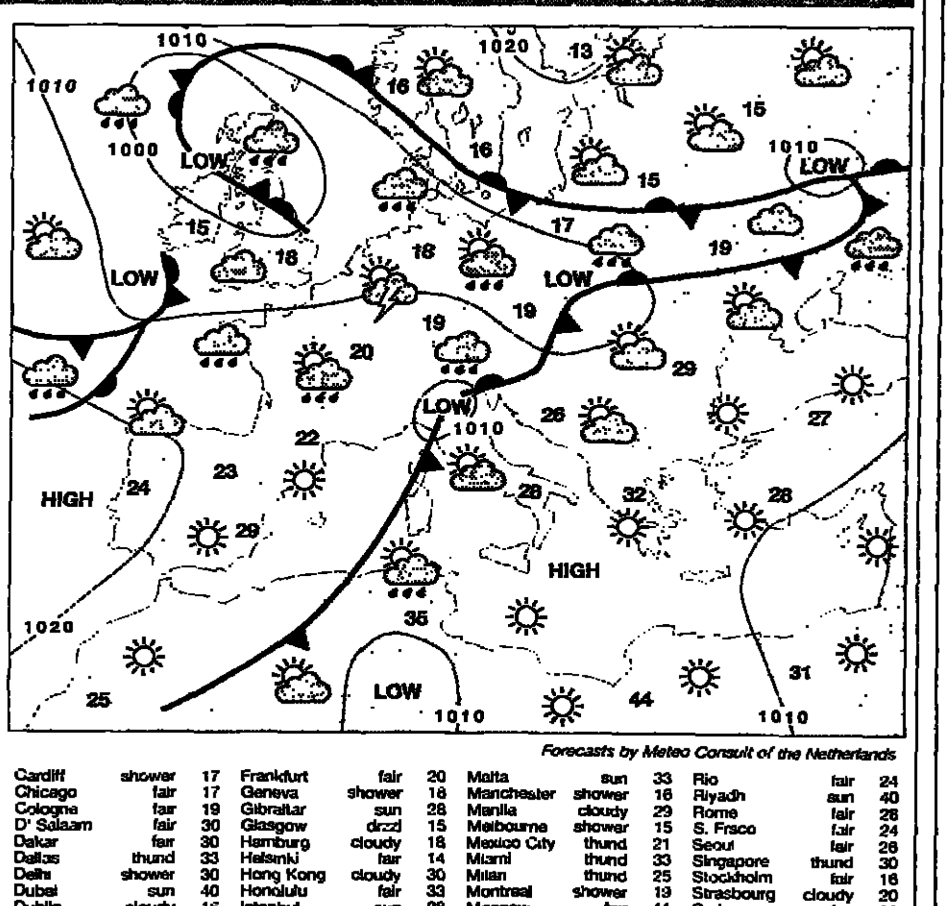
FT WORLD WEATHER

Europe today

Low pressure over the British Isles will bring more humid and unstable air over north-western Europe. As a result, some scattered cloud and showers with thunder will occur from northern France to Poland. Southern France and Spain will remain dry with sunny but sultry conditions. Scandinavia will be mainly dry with abundant sunshine in central parts of Sweden and Norway. Denmark will have overcast skies and periods of rain. Low pressure extending from northern Italy to central Russia will cause unsettled and sultry conditions. In the afternoon and evening, thunder showers with heavy rain will occur over Hungary and southern Baltic states. Meanwhile, sunny and mild conditions will continue over Turkey and the southern Balkans.

Five-day forecast

A surge of colder air will move across the British Isles causing below normal temperatures in north-western Europe and changeable conditions, especially around the North Sea. Scandinavia will remain cool but mainly dry, while the Mediterranean will stay mostly sunny and warm. Northern Italy and other Alpine countries will have some rain early next week.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	sun	39
Accra	cloudy	30
Algiers	fair	30
Amsterdam	shower	18
Athens	sun	32
B. Aires	sun	18
B.ham	shower	17
Bangkok	thund	33
Barcelona	sun	26
Beijing	cloudy	23
Belfast	shower	15
Belgrade	fair	31
Berlin	shower	19
Bermuda	fair	30
Bogota	thund	20
Bombay	cloudy	30
Brussels	thund	18
Budapest	thund	26
C.hagen	rain	16
Cairo	sun	33
Cape Town	fair	18
Caracas	fair	25
Cardiff	shower	17
Chicago	fair	17
Cologne	fair	19
D' Salaam	fair	30
Dakar	fair	30
Dallas	thund	33
Delhi	shower	30
Dubai	sun	40
Dublin	cloudy	16
Dubrovnik	fair	28
Edinburgh	shower	15
Faro	sun	26
Frankfurt	fair	20
Geneva	shower	18
Gibraltar	sun	28
Glasgow	drzzl	15
Hamburg	cloudy	18
Helsinki	fair	14
Hong Kong	cloudy	30
Honolulu	fair	33
Istanbul	sun	28
Jersey	rain	18
Karachi	fair	32
Kuwait	sun	41
L. Angeles	sun	28
Las Palmas	sun	27
Lima	cloudy	22
Lisbon	fair	23
London	cloudy	18
Lux.bourg	fair	17
Lyon	fair	21
Madeira	fair	24
Madrid	fair	28
Majorca	sun	28
Malta	sun	33
Manchester	shower	16
Manila	cloudy	29
Melbourne	shower	15
Mexico City	thund	21
Miami	thund	33
Milan	thund	25
Montreal	shower	19
Moscow	fair	11
Munich	thund	20
Nairobi	shower	28
Naples	fair	29
Nassau	thund	33
New York	shower	27
Nice	shower	26
Nicosia	sun	32
Oslo	fair	17
Paris	cloudy	19
Perth	sun	21
Prague	shower	19
Rangoon	cloudy	30
Reykjavik	rain	11
Rio	fair	24
Riyadh	sun	40
Rome	fair	28
S. Frsco	fair	24
Seoul	fair	26
Singapore	thund	30
Stockholm	fair	16
Strasbourg	cloudy	20
Sydney	fair	23
Tangier	sun	26
Tel Aviv	sun	33
Tokyo	shower	23
Toronto	fair	18
Tunis	shower	35
Vancouver	sun	22
Venice	shower	25
Vienna	thund	22
Warsaw	rain	20
Washington	fair	29
Wellington	shower	10
Winnipeg	fair	18
Zurich	cloudy	18

RECRUITMENT

JOBS: Not everybody has the luck to be in a position to look ahead with nary a backward glance

Time to face up to the final score

"FORWARD, forward let us range," urged Tennyson, adding for good measure: "Let the great world spin for ever down the ringing grooves of change." And who could fail to admire such a firmly future-orientated policy?

Even so, not everyone has the luck to be in a position to look bravely ahead with nary a glance backward. Take for instance the Jobs column's present writer who returns from the summer break today with over a thousand appearances in this corner of the FT behind him, but only 20 more to go before retiring.

While that may simply herald welcome relief to you out there who at worst may be fated to read them, it presents somewhat of a problem to me who has to write them. Indeed, having not been in such a situation before, I've spent a few holiday hours *wondering what to do about it.*

True, the 20 columns left to me add up to about 26,000 words still to be penned, which seems more than enough to go on with. So I shall half take Tennyson's advice by discussing any new developments noticeably relevant to highly skilled work, as well as updating the customary reports on surveys of pay and so on.

But the words remaining are as little to the near 1½m already churned out, some of which had a bit of thought behind them. Accordingly, *I'll also* be casting back in hope of piecing together the odd useful lesson emerging from the past, which in the Jobs column's case is longish. It first appeared in November 1968, although it went absent from January 1970 before returning to start its present *run three years* later.

Whatever Tennyson says, such backward glancing is not only irresistible, but sensible. It's all very well for him to bang on about *letting* the great world spin for ever etc. But the fact is that neither he nor anyone else could stop it. The best we can do is try to benefit from its future changes by behaving wisely, and hints on how to do so often lie in changes that have happened before.

Admittedly, the one that has probably had the widest impact on this column's readership, has taken most *effect in only the last* few years. It is the scrapping of whole layers of management by numerous employers, in business at any rate, and the ditching of in-house staff furnishing less than central services in favour of buying them in when needed from external concerns. But the portents were surely there to be spotted well in advance.

For instance, in 1968 it was the case at least in Britain that young people who did well in the academic system might fairly *safely expect to be handed life-long* careers. Provided they impressed a university recruiter from a big organisation, and then avoided badly blotching their copybook, they could count on an above-average standard of living until they were dead.

Moreover, as some of those so recruited rose to command the then thriving established outfits, it seemed reasonable to suppose that managers with the skills to ensure an ever more prosperous future could be produced by the same means. All that we needed to do was expand the existing *higher educational system, and* top it off with postgraduate management schools.

Yet the flaw in that idea was soon apparent as established organisations began falling by the wayside before the first higher educational expansion was complete. Nor, given the heavier crashes that have accompanied further academic expansions, can we sensibly expect still stronger doses of the same supposed elixir to work henceforth.

The problem is to find better *ways of identifying and honing* effective skills. And since I think past columns have chanced upon some useful clues, I shall try to develop them in the remaining weeks. There will also be more about the Laws of Organisational Stupidity and other related themes... but not just yet.

FOR the moment I'm turning to one of the aforementioned customary reports on salary surveys, summarised in the table below. As in previous years, the *figures are drawn from the most* recent cross-Europe study by the Wyatt management consultancy. The full report – which covers 17 countries and of course contains a far greater wealth of data than is given here – is priced at £1,250 plus VAT.

For each of the 10 countries I have listed, the table ranks the directors in charge of the various functional departments by the money value that companies evidently put on them. The basis of the ranking is the gross pay *received in* cash, salary plus bonuses and so on, of a typical chief executive in the same land: a figure that is given in *italics* under the country's name, with other currencies converted into sterling at the London closing exchange rates of last Friday.

Below that come the various directors, ranked by their gross pay shown as percentages of the pay of their home country's chief.

As may be seen, the values apparently placed on the various functions vary considerably, although finance takes pride of place six times out of 10. The differential the chief enjoys over the average for all subordinate directors taken together is highest in Italy, and lowest in the UK.

Michael Dixon

HOW DEPARTMENTAL DIRECTORS' PECKING-ORDERS DIFFER BETWEEN COUNTRIES

	United Kingdom		Switzer-land		Germany		Italy		France		Nether-lands		Belgium		Denmark		Spain		Ireland	
Typical gross pay of chief executives	*£86,770*		*£142,195*		*£142,987*		*£98,063*		*£104,456*		*£101,179*		*£101,464*		*£96,500*		*£93,197*		*£71,413*	
		%		%		%		%		%		%		%		%		%		%
Executive	Production	78	Fin	75	R&D	70	Fin	73	Fin	74	Sales	72	Fin	74	Fin	78	Fin	73	Pers	72
directors	Finance	76	Mats	73	Fin	66	Pdcn	73	R&D	74	Fin	70	D-P	71	R&D	70	Pdcn	71	Fin	70
ranked by	R & D	76	Pdcn	73	Pdcn	66	Eng	66	Pers	71	Eng	66	Pdcn	70	Pers	69	Sales	68	Mats	70
their typical	D-P	73	Eng	72	Sales	66	Pers	66	Eng	70	Pdcn	66	Mats	68	Sales	65	Eng	67	Pdcn	70
pay as a	Marketing	69	D-P	69	Eng	65	Sales	66	Mats	68	R&D	65	Eng	66	Eng	64	Mktg	66	Eng	67
percentage	Sales	66	Sales	69	Mats	63	Mktg	64	Pdcn	68	D-P	62	R&D	65	Mktg	63	Pers	66	Sales	66
of chief	Materials	65	R&D	67	Pers	59	R&D	61	Sales	68	Mktg	60	Pers	63	Pdcn	60	Mats	64	Mktg	63
executives'	Engineering	64	Mktg	65	D-P	57	Mats	55	Mktg	63	Pers	59	Sales	63	Mats	58	D-P	59	D-P	53
typical pay	Personnel	64	Pers	65	*Mktg*	*57*	*D-P*	*48*	*D-P*	*59*	*Mats*	*58*	*Mktg*	*61*			*R&D*	*59*		

Source: Top Management Remuneration, Wyatt Data Services, Av Hermann-Debroux 52–Box 3, 1160 Brussels; tel (32) (02) 673 15 11; fax (32) (02) 675 36 01

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- structured finance and asset securitisation;
- corporate restructurings and joint ventures;
- new issues marketing.

Both positions offer excellent scope for career advancement with one of the world's most prestigious financial institutions. Please respond with a full CV and salary details, quoting reference number 390, to Cleonagh Jolly at:

THE RICHMOND PARTNERSHIP
Garrard House, 31-45 Gresham Street, London EC2V 7DN
Telephone: 071-796 4254. Facsimile: 071-796 4255

FIXED INCOME FUND MANAGER
c £28,000 + Benefits

Our client is one of the most successful investment management companies, having achieved strong growth in recent years. As a result, a requirement has arisen for an additional Fixed Income Fund Manager to assist in the management of the fixed income portfolios and the bond fund.

The team is also responsible for the formulation of the house bond and currency strategy, presenting their views at the internal strategy meetings and the management of all forward currency transactions.

The successful candidate will be aged mid-20's, a graduate with some three years experience, preferably of European and/or Dollar bloc markets. Specifically, he/she must have good presentation and communication skills and be fully versed in administrative procedures and currency dealing.

For further information, please contact Martin Symon at the address below:

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP
Telephone 071-623 1266 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

INVESTMENT COMMUNICATIONS
London SW1

Clerical Medical is a major force in the investment world. We have an enviable record in investment management, with financial products ranging from pension and life insurance arrangements to investment funds and unit trusts.

A challenging opportunity has arisen within our specialist investment communications team, the key responsibilities being to provide investment information to our clients and give advice on the current thinking of our Investment Managers.

Your background? Ideally you will be a graduate in a numerate discipline with up to 2 years' business experience within the finance sector.

Good oral and written communication skills are particularly important as you will be required to issue topical bulletins, respond to ad-hoc queries from independent advisors and individual clients, with some involvement in seminar preparation. Your PC skills will also be a valuable asset for areas such as statistical analysis and graphics production.

This is an excellent opportunity to contribute in a high demand area of investment activity.

The salary and benefits package reflects qualifications and experience and includes mortgage subsidy, non-contributory pension and private healthcare.

Please telephone our Group Personnel Department on 0275 552188 (24 hour answerphone), for an application form. Clerical Medical Investment Group, 15 St James's Square, London SW1Y 4LQ.

Clerical Medical
INVESTMENT GROUP
THE CHOICE OF THE PROFESSIONAL

INTL (US/FAR EAST) M & A FINANCING
£Neg.

Several vacancies exist for graduate bankers with current experience gained in the above sector.

SENIOR "MANDATE GETTER"

Able to originate and execute (with assistance) complex cross-border M & A's divestment deals etc, particularly in the US, fee income driven, age 38/42 years.
£HIGH.

MANAGER M & A FINANCINGS

Aged 30/35 years. Graduate/ACA/MBA with at least five years corporate finance banking experience to include strong analytical M & A LBO modelling skills.
c£60,000.

CORPORATE FINANCE EXECUTIVE

Similar to above, aged 27 years able to construct M & A, LBO Models, draft presentations with at least two years experience. c£30,000.

STRUCTURED PRODUCTS
£HIGH

Major European Bank with strong derivatives trading capability (Equity, Bond, IR, Commodity & FX) are developing a structured product group to provide tailor made packages to sophisticated institutional investors. They seek Senior Financial Engineers with 2-3 years experience structuring complex IR, and/or Equity derivative packages and Senior Sales people with at least 2 years experience selling these products. Salary and career opportunities will be commensurate with these high level appointments.

Detailed CVs please by Fax 071-588 9012 or by mail to Brian Gooch.
All enquiries treated in strict confidence.

OLD BROAD STREET BUREAU
EXECUTIVE SEARCH & SELECTION CONSULTANTS
65 London Wall London EC2M 5TU
Tel 071-588 3991 Fax 071-588 9012

European Sales

We are a fast growing information company looking for someone to develop our sales in continental Europe. You should have at least 2 years equity experience; you will probably be a graduate and preferably speak French and German. You will definitely be enthusiastic and energetic.

This is a tremendous opportunity for the right person and the remuneration package is excellent.

If your are interested please write in strict confidence to Mrs. Vivien MacDonald at Edinburgh Financial Publishing, 1 Rothesay Terrace, EDINBURGH EH3 7UP

TRADER
STOCK LENDING

LONDON | EXCELLENT PACKAGE

Salomon Brothers, one of the world's leading international investment houses, is seeking a highly motivated individual with at least one year's experience of stock lending.

Working as part of a small team, responsibilities will encompass borrowing and lending gilts, UK and international equities. The team provides both a service to the Company's own traders as well as trading its own account.

The successful candidate will be detail oriented, have well developed communication skills and a confident and entrepreneurial approach.

We offer an excellent financial package including the full range of benefits normally offered by a leading financial institution. Please write with a full cv to **Jill Harris, Salomon Brothers International Limited, Victoria Plaza, 111 Buckingham Palace Road, London SW1W 0SB.**

Salomon Brothers
MEMBER OF SFA

AON
FUND MANAGEMENT

£EXCELLENT PLUS BENEFITS — SURREY

AON Corporation is a multi national financial services group with worldwide invested assets of $10 billion. The UK operation which manages the European portfolios is experiencing a major growth in Funds under management and therefore needs to recruit a fixed income professional at its offices based in Kingston upon Thames, Surrey.

The position offers a unique opportunity to make a significant and recognisable contribution to the future success of this rapidly growing organisation. The succesful applicant will play a leading role in the managment of the portfolio which is primarily invested in the Eurodollar market, as business markets are in the UK and overseas, travel opportunities will exist.

Applicants will have:

* sound fixed income investment management experience of 3 years, including experience in the Eurodollar Market
* a good understanding of the Financial Services and Insurance industry.
* excellent communication skills to enable effective presentations to clients
* demonstrable analytical skills in the corporate securities area
* a degree with professional investment qualifications being a distinct advantage

For further details of this first class opportunity please send your CV in the first instance to Mrs Sue Bertlin, Personnel Manager, AON Corporation, Combined House, 15 Wheatfield Way, Kingston upon Thames, Surrey KT1 2PA or telephone 081 541 6227.

MARKETING & PUBLIC RELATIONS EXECUTIVE

Salary £18k pa + benefits. Must be fluent in Rumanian, Hungarian, (French & German useful). Good knowledge of airline and travel business at executive level.

Tel: 081 566 9040

SWAPS BROKER - PARIS

Capital markets broker in Paris looking for hard-nosed and dynamic multi-lingual candidates for its European SWAPS team. No experience necessary. The right profile gets the job. Motivated applicants reply to :

Box 1664, Financial Times, One Southwark Bridge, London SE1 9HL

CONTROLLER - GERMANY Public accounting and 3 years controller exp. for major German company. Needs to know U.S. GAAP. Bilingual. Competitive salary. C.V. to 15840 Ventura Blvd., #638, Encino, CA 91436, USA or FAX (818) 981-6505.

INTERMEDIARY & PRIVATE CLIENT SALES

Gerrard Vivian Gray Asset Management is a division of Gerrard Vivian Gray Limited Stockbrokers. We provide top quality independent investment advice and manage substantial sums of money through individual investment trust, unit trust and international bond portfolios.

Owing to rapid expansion we require experienced individuals to join our successful team in the continuing development of our business both through the authorised intermediary market and direct to the private client.

Applicants for both positions should have an above average working knowledge of the general investment market along with a more specific understanding of stockbroking, unit trusts and investment trusts. Authorisation by the SFA as a Representative will be beneficial. All applicants should have proven sales skills, be self motivated, loyal and hard working.

A competitive package is offered in return to include basic salary, commission sharing, car, pension scheme and medical cover.

Applicants aged between 30 and 50 should write, in complete confidence, enclosing a CV and details of current remuneration to: **Jeremy Nunn, Gerrard Vivian Gray Limited, Burne House, 88 High Holborn, London WC1V 6LS.**

GERRARD VIVIAN GRAY LIMITED

MEMBER OF THE SECURITIES AND FUTURES AUTHORITY AND THE LONDON STOCK EXCHANGE

THIS ADVERTISEMENT IS NOT APPEARING AS A MATTER OF RECORD ONLY. IT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

When considering what action you should take, you should take your own advice and then, if interested, write to the Head of Personnel at the address below.

The application lists open today and will be closed when Lovell White Durrant decides. It is expected that successful applicants will be able to take up their posts at a time convenient to them and Lovell White Durrant.

LOVELL WHITE DURRANT

OPEN OFFER

for applications from

Commercial Banking Lawyers :	3 years' plus qualification with general corporate banking experience. Previous experience of corporate restructurings, acquisition finance or structured trade finance helpful but not essential.
Corporate Finance Lawyers :	2-4 years' qualification with sound experience of company law, Yellow Book and Blue Book work, and of domestic and cross-border transactions for plcs and multinational companies.
Corporate Research Lawyers :	3-5 years' qualification keen to specialise in the provision and generation of corporate law know-how and documentation with emphasis on the activities of plcs and multinational companies.

for positions in London at market rate salaries payable on successful engagement.

MINI-PROSPECTUS

History and Business
Lovell White Durrant, which can trace its origins back to the 19th Century, is a full service international corporate law firm centred in London, with offices in New York, Paris, Brussels, Prague, Tokyo, Hong Kong and Beijing. It is one of the established leaders in its field with a substantial UK and multinational client base.

Background to and Reasons for the Offer
Lovell White Durrant is well positioned to help its clients take advantage of the emergence of the UK economy from the worst recession in recent memory. It has formulated this Offer against a background of increasing demand for its services. The success of the Offer will assist Lovell White Durrant in maximising the opportunities for the organic growth of some of its core businesses *without diluting the pre-eminent services* already offered.

Use of Proceeds
Successful applicants will slot into existing teams hungry to develop the practice. The exercise of responsibility commensurate with experience is an early goal; strong marketing skills are expected and an ability to develop client relationships is fundamental. The firm intends to make full use of the proceeds of the Offer to build the balance sheet of the business by growing its assets – its client base.

How to Apply
Your c.v., together with a request for an application form, should be sent by hand or by post to the Head of Personnel, Lovell White Durrant, 65 Holborn Viaduct, London EC1A 2DY, to arrive as soon as possible.

Salaries normally go up and not down.
***Past performance* is a guide to future prospects.**

INFORMATION OFFICER
Washington, DC (USA)

The International Monetary Fund is seeking a headquarters-based Information Officer to handle day-to-day media information responsibilities for Latin America. This will entail developing and maintaining contacts, primarily with correspondents, editorial writers, and columnists of the financial and non-financial media in Latin America, the Caribbean, Spain, and Portugal. In addition, the position will conduct information work in other areas, including Eastern and Central Europe and the former Soviet Union.

Requirements Include: Fluency in English, Spanish and Portuguese, either an advanced degree in communications/journalism, or economics, together with a strong background in economic and financial journalism, or the equivalent relevant experience with the media in Latin America and the Caribbean. Fluency in other languages, including those of Eastern and Central Europe and the former Soviet Union, is highly desirable.

The successful candidate must have the ability to grasp quickly complex economic, financial, and political issues and present them in non-technical language, both orally and in writing.

Demonstrated ability to work under pressure to meet writing and other deadlines, together with strong organizational and human relations skills are essential. The individual should also have the ability, over time, to take on broader public affairs responsibilities.

Attractive remuneration and benefits package. The appointment will be for an initial two years.

Candidates should send resume by September 30 to:

Information Officer/Vacancy 93/133

INTERNATIONAL MONETARY FUND

RECRUITMENT DIVISION
700 19th Street, NW, Washington, DC 20431 (USA)
Telefax (202) 623-8334

Fixed Income Sales

Leading International Investment Bank is currently seeking to expand its already well established Capital Markets activities. A number of opportunities have arisen for multi-currency fixed income sales people:

Ideal candidates:

* Minimum three years experience selling to Institutional Investors
* Age 25-35 years
* Strong interpersonal and presentation skills
* Proven track record of success

These positions offer very competitive salaries and excellent performance related bonuses, along with *the usual fringe benefits associated with a leading* Investment Bank.

To apply, please write in the strictest confidence, enclosing an up-to-date CV, to our advising consultant Andrew Chancellor, at Harvey Nash Plc, Dragon Court, 27-29 Macklin Street, London, WC2B *5LX, Tel. 071 333 0033, quoting* ***Ref: HNF103.***

HARVEY NASH PLC

MOORGATE · INVESTMENT · MANAGEMENT · LIMITED

Investment Manager
UK Smaller Quoted Companies

An opportunity currently exists for a senior smaller companies fund manager within Moorgate Investment Management Limited.

Candidates should be:

- Aged in their mid 30's
- Have a minimum of 3 years relevant experience
- Able to demonstrate sound judgement and a strong performance record in UK smaller companies fund management
- Have the ability to work as part of a small, highly focused and experienced investment team in an expanding and highly regarded organisation

The position offers a highly competitive remuneration package as well as the opportunity to use your initiative and consolidate your experience in UK smaller companies fund management.

Moorgate Investment Management Limited is one of the UK's leading independent investment houses specialising in investment in UK smaller quoted companies and manages assets in excess of £250m.

Please send full curriculum vitae together with details of current remuneration package to Anthony Simonian, Managing Director, Moorgate Investment Management Limited, 49 Hay's Mews, London, W1X 7RT.

Chief Dealer in Tokyo

Dresdner Bank Group, a leader in international banking and financial services, is seeking a Chief Dealer for its fixed income and derivatives arbitrage desk in Tokyo.

You will play a key role in the development of our activities in Asia.

Applications are invited from candidates around 30 years old, who should be graduates and possess relevant experience in the fixed income business.

Please send your application (handwritten letter, resume and photograph) under ref. 44595 to : Dresdner Securities (Asia) Derivatives Department Shionogi Honcho Kyodo Building 3-7-2, Nihonbashi-Honcho Chuo-ku TOKYO 103 JAPAN.

Dresdner Bank Group

HEALTH CARE SERVICES
COMMERCIAL BUSINESS DEVELOPMENT
Have you the energy and persuasive powers to make things happen?

c.£45K + performance-related bonus (up to 30% of salary), car and other benefits . London

Our client is a key player in the rapidly expanding independent health care market. This *innovative and flexible* organisation is continually exploring new opportunities for development and diversification through a mix of new product strategy, joint ventures – particularly with the NHS – and merger and *acquisition.*

They are now looking to recruit an Assistant Business Development Director to work closely with the Director. Your brief will be to shape, manage and implement these strategies, particularly:

- identifying new business and joint venture opportunities
- developing partnerships with the NHS
- leading a team of professionals in developing approved capital projects.

The role will demand a charismatic self-starter with the energy and persuasive powers to make things happen.

An articulate individual with shrewd commercial insight, a strong grasp of strategic management principles and a working knowledge of buying and selling businesses. Professionally qualified, possibly an ACA, MBA or similar, you should have a proven track record in the process of corporate development, ideally gained either through Head Office or consultancy roles.

This is an extremely high profile opportunity with the chance to make a significant impact.

Please write in strict confidence with your CV, stating clearly any company to which your application should not be forwarded, to: T G West, Managing Director, Confidential Reply Handling Service, Ref: 711, Associates in Advertising. *5 St John's Lane, London EC1M 4BH.*

Closing date: Friday 17th September.

ASSOCIATES IN ADVERTISING

MARKET ANALYST
Industry Economics

Maritime Overseas Corporation, an international shipping company, **BASED IN NEW YORK CITY**, seeks an individual with strong quantitative, computer and research skills for our Industry Economics Group.

Primary responsibilities will be in support of strategic planning and will include in-depth analysis of bulk shipping markets; forecasting of trade volumes and shipping requirements; assisting in the preparation of studies and reports for senior management.

A Masters degree with a concentration in Shipping Economics or related field coupled with 3-5 years experience in the bulk shipping industry, a working knowledge of major market data sources and a basic knowledge of financing concepts are essential. Excellent communication skills and the ability to follow through on projects from conception to completion will be required.

Send resume and salary requirements to: Human Resources Department.

MARITIME OVERSEAS CORPORATION
511 Fifth Avenue, New York, New York 10017
Equal opportunity employer m/f

RESEARCH ANALYST

An international investment management company is seeking a young dynamic and ambitious research analyst.

The candidate should be

- familiar with international equity & commodity markets,
- competent in finance & accounting,
- highly literate in computers,

all in order to continuously enhance the existing advanced analytical trading discipline.

Please reply in confidence to: Box B1651, Financial Times, One Southwark Bridge, London SE1 9HL

EUROPEAN EQUITY SALES in NEW YORK

Our client is a major securities house with an excellent, internationally known, research product and well established global distribution. They seek an additional European equity salesman to cover a wide range of North American institutional clients.

Probably aged 26 to 30 candidates may currently be based in London or other *Continental* centres. *They should have three to four years* experience in European equity markets and at least two years of research based selling to institutional clients.

It is envisaged that this opportunity should appeal to a highly motivated, high calibre individual who seeks the scope to make a tangible contribution to a small dynamic team in New York.

For an initial discussion in confidence please contact us, quoting reference 4788, at 20 Cousin Lane, London EC4R 3TE. Telephone 071-236 7307, or Fax 071-489 1130.

STEPHENS SELECTION

A PART OF STEPHENS CONSULTANCIES
London Edinburgh New York Hong Kong

APPOINTMENTS ADVERTISING

Appears every Wednesday & Thursday (UK) &Friday (International edition only)

MARKETING EXECUTIVE

Private Client Asset Management

City

c£40,000
+ attractive incentive bonus

Our client, a long-established and successful asset management company, is the *wholly owned subsidiary of a prestigious international banking group.* As part of the bank's commitment to the private client division, it has decided to recruit an additional marketing executive to play a key role in helping it to achieve its objective of doubling private client funds under management by 1998.

It is seeking an ambitious and highly motivated marketing professional. Reporting directly to the head of the division, the successful candidate will be expected to work closely with a team of fund managers in order to identify and capture new high worth business by direct client contact and through professional intermediaries.

Ideally, candidates will be graduates aged between 28-35, with at least five years' experience of working with private clients in fund management or retail financial services. A proven track record that demonstrates a high level of drive and personal ambition, combined with sound product knowledge and first-class interpersonal skills, is an essential requisite for this challenging but rewarding position.

Financial and career prospects for the successful candidate are excellent.

Interested candidates should send full curriculum vitae, including current salary, to Carol Jardine, Managing Director, Whitney Selection, 17 Buckingham Gate, London SW1E 6LB, quoting reference WS/90/1.

THE WHITNEY GROUP

WHITNEY SELECTION

PRIVATE BANKING

City

Our client, *one of the UK's most* prestigious merchant banks, is in the process of strengthening and expanding its private banking division. Consequently, it is seeking to recruit two high-calibre administration managers with experience of private client banking and a thorough understanding of banking and mortgage administration systems.

Salaries are competitive with full banking benefits and future prospects are excellent, in line with the anticipated growth of the private bank.

Head of Administration

The *incumbent will hold a key role within* the private bank, with responsibility for all private banking and mortgage administration systems, including the credit control function. Proven management skills and a minimum of ten years' experience of personal lending are essential requisites for this important new position.

Reporting to the Administration Director, the Head of Administration will be responsible for two managers and ten staff.

Reference WS/104/1

Agents and Exposure Manager

Responsible for the smooth running of third party mortgage and HICA administration, the successful candidate must be able to demonstrate a genuine knowledge of mortgage administration systems, and be able to ensure high standards of output at all times. Risk management and credit analysis skills are important, as the role will involve the production of regular financial reports for *senior management.*

An accountancy qualification would be an advantage, but is not essential.

Reporting to the Head of Administration, the incumbent will have a team of three to assist with the monitoring and control of the subcontractors.

Reference WS/104/2

Candidates must be well presented, with at least two years of their experience in private banking. They must have a minimum of two 'A' Levels and be a member of the Institute of Banking.

Interested candidates should send a full curriculum vitae, including details of current salary, to Carol Jardine, Managing Director, Whitney Selection, 17 Buckingham Gate, London SW1E 6LB.

THE WHITNEY GROUP

WHITNEY SELECTION

FINANCIAL EDITOR

London

Investment firm desires Editor for equity research and related publications. Must have impeccable English language skills, excellent sense of organisation and logic, and superior proof-reading talent. Financial knowledge, computer skills and proven ability to work under tight deadlines are also essential.

Send resumé in confidence to: T L Roberts, Ref: 0096, Confidential Reply Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Please state any company to which your application should not be sent.

ASSOCIATES IN ADVERTISING

HSBC Asset Management
Strategy Unit

City — Competitive Packages

HSBC Asset Management is a leading fund management group, with funds under management in excess of US$24 billion. It has three major operations: James Capel Asset *Management in* Europe; Marinvest in the USA; and Wardley Investment Services in the Asia Pacific region. Working under the Group Chief Economist, who is London-based, the multi-disciplinary strategy unit has been established to conduct global research and statistical analysis of markets and economies to support the macro-research function of the group. This exciting new venture for the group will provide two high calibre individuals with challenging and stimulating roles:

RESEARCH MANAGER

The Research Manager will add value to the research process by:

- researching and communicating new ideas in investment theory;
- co-ordinating and disseminating key articles of broker strategy research;
- identifying and originating strategic investment themes.

Candidates should be graduates, preferably in Economics or a commercially-based discipline, with a minimum of three years' relevant experience in the investment management or brokerage spheres and an excellent practical understanding of financial markets. We will be looking for highly numerate, original thinkers with a flair for applying abstract concepts to practical commercial problems, and excellent written and oral communication skills.

STATISTICAL RESEARCHER

The Statistical Researcher will:

- build and maintain a statistical database for the unit's work, containing both market and economic data;
- undertake sophisticated statistical analysis in support of the unit's development of ideas;
- use computer software to represent data graphically and in a user-friendly fashion.

Candidates should be graduates, ideally in Mathematics, Statistics or a commercially-based discipline. In addition to excellent computer literacy, they must have good attention to detail and the ability to work independently. A high degree of numeracy is essential.

The remuneration packages will comprise competitive base salaries, performance-related bonuses and the full range of benefits, including a car for the Research Manager position.

Please send a detailed CV to GKRS at the address below, quoting reference number 222J for the Research Manager role or 223J for *the Statistical Researcher role, and providing details of current* remuneration and availability.

GKRS
SEARCH & SELECTION
CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TEL: 071 287 2820 FAX: 071 287 2821
A GKR Group Company

TAYLOR YOUNG INVESTMENT MANAGEMENT LIMITED

Young, progressive, privately owned fund management company seeks to recruit two individuals to contribute to the next stage of the Company's planned expansion programme.

BUSINESS DEVELOPMENT

Energetic and enthusiastic self-starter required with strong interpersonal skills to develop new and existing business areas in the private client and charity fields. Aged 35 to 45, candidates should have proven business development experience with the ability to create and implement new ideas.

ASSISTANT FUND MANAGER

An outstanding opportunity for an individual with enthusiasm and flair. Aged 25 to 30, candidates should have a degreee or professional qualification. Some relevant experience in investment management is essential, and preferably, experience outside the financial community.

Candidates interested in either of the above positions should send their *CV to Lucinda Knight at 45 Curlew Street, London SE1 2ND,* with a covering letter indicating what contribution you think you could make to the development of the Company, together with *details of your current remuneration package.*

SWITZERLAND
DISCOUNT BANK AND TRUST COMPANY

an international institution based in Geneva with an extensive network of subsidiaries and affiliates worldwide is committed to a challenging expansion programme of its multi-currency funds invested in bonds and money market instruments.
We are looking for a

FUND MANAGER

to join a team in our dealing rooms.
The ideal candidate should have a proven experience in the global bond market together with an understanding of derivatives.
Preferably a graduate, he/she should demonstrate a mathematic background and an excellent understanding of economic trends. Ideal age 25-35. Swiss nationals or holders of a valid work permit for Switzerland.

To apply, please write, enclosing your CV to :
Human Resources Department, DISCOUNT BANK AND TRUST COMPANY
3, Quai de L'Ile 1204 Geneva - Switzerland

Fixed Interest/Currency Dealer

Attractive Salary + Benefits

We represent a privately owned and independent Investment Management Company who have an outstanding record in fund performance. Working with a very active group of professionals, you will be responsible for dealing in all bond, and currency markets.

The candidate will be in their mid to late 20's with 3 years' related experience.

This is an excellent opportunity to join one of the fastest expanding Investment houses in Fund Management.

For a confidential discussion please contact Patrick Morrissey or Nigel Haworth. Telephone: 071-236 2400, Fax: 071-236 0316 or apply in writing to Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

SHEFFIELD-HAWORTH
Consultants in Search and Selection

MARKETING DIRECTOR

English mother tongue

London/ Rome

This is a key appointment in an internationally renowned company which designs and manufactures a range of telecommunication products. The *company has an outstanding international reputation in the marine sector.*

The mandate is to drive forward business performance, building on existing strengths and instigating a programme of global business development incorporating new marketing initiatives to sustain substantial profit growth.

You will need to have an enthusiastic approach to your work with the ambition and commitment to succeed in a demanding environment.
To meet the needs of this challenging role it is essential you have Senior management experience of five to ten years in international marketing directly associated with telecommunications equipment in the marine market.

A good knowledge of Italian is an advantage but not essential.
Remuneration will be fully commensurate with an appointment of this quality and at this level.
Interested candidates should submit a written comprehensive career resume indicating current salary by fax or post addressed to:

Cimat SpA, Mr V Palelli, Head of Personnel 16 Berkeley Street, LONDON W1X 5AE Fax: 0044 71 499 0426

SALES MANAGER, UK.

US game & puzzle company seeks aggressive growth-orientated individual to develop UK trade accounts, mall order, and continental accounts. Fluency in French or German a plus. Equity participation possible. Interviews Sept. 13-18.

Send resumé and salary requirements to
Ishi Press Int'l, 20 Bruges Place, London NW1 0TE

INVESTORS CHRONICLE

EUROPEAN EDITOR

We are looking for a European investment specialist to run a two person team. He/she would be responsible for a section of the magazine discussing all aspects of investment in Europe for the private investor. This includes:

- ☆ analysis of individual European stockmarkets
- ☆ advice on unit and investment trusts
- ☆ direct investment in individual major quoted European companies.

The successful candidate should have fluent business German or French. He/she is likely to be working in the European research department of a stockbroker, managing funds investing in Europe or have relevant journalistic experience.

Applications plus curriculum vitae to:

The Editor,
Investors Chronicle
Graystoke Place, Fetter Lane, London EC4A 1ND

ODDO, French leading Brokerage firm is seeking for its Paris and Madrid branches:

- Two Anglosaxon Junior Equity Sales
- One Junior Analyst on Spanish Equities

The function will be to sell French and Spanish equities respectively to institutional Anglosaxon clients as part of a highly competitive team.

Requirements:

- Good financial knowledge and studies.
- Some experience in talking to institutional clients.
- Strong Commercial qualities.

To apply please contact or send CV to:
- ODDO ESPAÑA Agencia de Valores
Claudio Coello, 22 - 3º C- 28001 MADRID
Tel: 341-435.60.14 Fax: 341-576.73.28 Att: Mr. Taslé d'Héliand
- ODDO ET CIE
12, Boulevard de la Madeleine - 75009 PARIS
Tel: 331-44.51.83.83 Fax: 331-44.51.83.70 Att: Mr Philippe Oddo

ADMINISTRATION MANAGER
UNIT TRUST COMPANY

An innovative and expanding company based in the West Country offers an interesting career opportunity in unit trust administration.

The successful applicant will initially work on the implementation of a new dealing and registration system but, within twelve months, he or she will assume full responsibility for all aspects of the administration department and will report directly to the Administration Director.

Applicants should have wide experience of the administration of unit trusts and should send their applications, together with CV to:

J N Williamson
Administration Director
Exeter Fund Managers Limited
23 Cathedral Yard
EXETER EX1 1HB

APPOINTMENTS WANTED

GROUP FINANCE DIRECTOR INTERNATIONAL PLC

1st class degree in Engineering, Cambridge ACA, ICMA, 'Big 8' firm
Multilingual: English, French; German, Dutch
Experience: computer, telecomms, information industries at a senior level in many European countries, incl. 2 at Finance Director level.
Operations, business development, acqns.

Presently: European FD for US multinational
Seeks:
Position as Group FD of dynamic European Co. with international scope
Please write to Box B1662, Financial Times, One Southwark Bridge, London SE1 9HL

SYNDICATION EXECUTIVE

sought by small Venture Capital group leading investment in projects in Europe/Worldwide.

Our team needs a fifth manager: bright, resourceful, experienced in finance/sales, well-organised and relishing investor contact.

Please write to:
Mr Luca Bonurgi
17, Meard Street, London W1V 3HQ

APPOINTMENTS WANTED

FINANCE DIRECTOR/CONTROLLER

ACMA with 15 years post-qualification experience in both large and small high-tech manufacturing and software companies, including experience of USA and European subsidiaries. Seeks new challenge in No 1 role (temporary assignments also considered).

Write to Box B1665, Financial Times,
One Southwark Bridge, London SE1 9HL

RISK MANAGEMENT USING DERIVATIVES

10 years experience managing derivatives trading businesses in Equity, Currency and Interest rate markets. Training in theory and application of options a speciality. Available for consultancy/ short term contracts.

Write to Box B1663, Financial Times, One Southwark Bridge, London SE1 9HL

JAPAN

British Graduate (29) 6 years in Japan, 1st class cert. in Japanese, currently working for a Japanese bank in Import Promotion seeks position in Britain with company dealing with Japan.

Avail. for interview in UK Sept. 1993

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ACCOUNTANCY COLUMN

Grand old man battles on to restore the golden age

Andrew Jack examines a persistent quest for reform by feisty New York professor Abraham Briloff

A REMARKABLE man sits in a squeaky swivel chair in a small and ramshackle office, sharpening the barbs of his latest critique on the state of contemporary accountancy. His name is Abraham Briloff.

"Abe" Briloff is unusual in many ways. First, because his office – the launching pad of many robust attacks on the profession – is in New York City, more commonly a base for raw capitalism than for radical critique.

Second, because that office is the headquarters of a small firm of certified public accountants. For Briloff is a trained accountant in practice and no mere ivory-tower academic nor someone with a simple nihilistic grudge against the profession.

Third, because the location is opposite Baruch College, part of the City University of New York system and the institution at which Briloff holds the title of Emanuel Sachs distinguished professor accounting emeritus. For neither is he a mere practitioner too buried in work to take a wider perspective.

Fourth, because he matches this breadth with an enormous depth of experience. Mr Briloff, still commuting to New York from the suburbs though now with the aid of a cane and with failing eye-sight, is 76.

He turned to bookkeeping in the 1930s as it required relatively little time and cost to enter, before falling under the influence of his accounting mentor, Professor Emanuel Sachs, because he could not find a day job during the Great Depression.

Fifth, because he has pioneered an approach to the subject which has inspired other radicals among his academic colleagues, in contrast to those in universities whom he calls "apologists for the profession".

Sixth, because he is not afraid to stick out his neck and openly criticise firms and companies which transgress his standards, notably by penning columns in Barron's, the weekly US business paper. He bears the battle scars of a defamation lawsuit brought against him and the paper in 1976 by Saul Steinberg, the corporate raider and head of Reliance Group.

And seventh, because all these characteristics have given him a credibility which means he is regularly invited to appear before Congressional hearings in Washington DC, and as an expert witness in court cases.

But what, with all these hefty credentials, does Briloff have to say? Throughout his work – comprising four books and dozens of academic papers – runs a consistent theme, expressed in a forceful, clear style.

Briloff argues the accountancy profession has breached the "sacred covenant" it holds with society through its licence to report on financial statements. It is in terminal decline as it moves along its "via doloroso".

"In modern society, the accountant's certificate is more potent than the chisel or the crowbar," he says.

He calls for a return to the "golden age" of the 1950s and 1960s when, he argues, accountants were more concerned with being professionals than in gathering new business. "We need the responsibility, accountability, intergrity to fulfil the role with which society has vested us and we have assumed willingly and received substantial compensation for doing." He contrasts the modest offices of large firms at that time with expensive halls and atria of today's headquarters. He looks to a time when partners in firms knew each other and felt a sense of "direct personal responsibility" for their work.

He laments the change from managing partners who were primarily auditors to those who have won their positions through proud boasts of "rainmaking" – the ability to gather new business – and even dub themselves chief executives.

In particular, Briloff regrets threats to the supposedly independent role of the auditor when challenged by issues such as the growing and potentially compromising role of carrying out management advisory services such as tax work and computer consulting for audit clients – what he calls "riding two horses with one backside".

He says this leads to a "race for the bottom" as non-accountants become partners, infuse intensely competitive practices and denigrate the firm's independent audit responsibilities.

He cites instances of audit partners given loans under special circumstances by a Texas savings & loans institution which then collapsed, and of others who swiftly moved from auditors to chief financial officers of client companies.

More generally, he is concerned at the degree to which auditors have become too associated with executives within companies which they audit, advising on the structuring of financing and presentation of financial information and acting as their advocates. "We have become crucified by the bottom line merchants," he says. He refers derisively to the "accounting alchemy" and the accounting's "magic wand" of the presentation of issues such as lease information, and the categorisation of debt instruments as equity.

He cites approvingly Judge Stanley Sporkin, of the US district court in Washington, DC, in a decision in the Lincoln Savings & Loans case in 1990, that "accountants must be particularly sceptical where a transaction has little or no economic substance" even if it might technically meet the standards of US generally accepted accounting principles. But he sees no evidence for optimism that accountants will heed this "prayerful" plea.

At the same time, he criticises the SEC for weaknesses in its findings. Many of its initially tough verdicts have been buried in compromise "consent orders" reached with companies. He is disappointed with the courts.

He has little time for the Public Oversight Board, created by Congress to scrutinise the profession, but all too often in his belief acting as captive to and advocate for it.

But his greatest wrath is saved for the accountancy firms and professional bodies. He traces the interlocking power structure, with the "Big Six" firms influencing the board of the American Institute of Certified Public Accountants, which has power over the Financial Accounting Standards Board.

He is scathing of the frequent appointment to committees, disciplinary bodies and peer review panels of partners from large firms which have been criticised for their own auditing work. For instance, tracing the background to the widely-cited finding of the profession's 1978 Cohen Commission that there is no evidence that providing other services has jeopardised audit independence, he shows how all the data was compiled by staff and partners in the larger accounting firms – analogous, he says, to "sending a fox to guard the hen house".

Briloff's advantage is that he is aided in the USA by a mass of material related to regulation and litigation. He has access to evidence obtained from auditors in subpoenas, in front of Congressional hearings and in discovery during litigation; and details emerging through court judgments and rulings from the Securities and Exchange Commission.

That is not to say that his views are universally within the profession. Some see him as extreme, unfair and wholly unrealistic. Many of his remedies have not been implemented.

Reflecting in an academic article earlier this year on his criticisms of the profession in his 1972 book "Unaccountable Accounting", he concludes sadly that his vision for reform has "come to naught" – except that the aberrations he then identified have been extrapolated exponentially to billions and tens of billions.

"If you are a teacher you have got to remain optimistic," he says. "You have to feel that ideas have consequences and meaning. Otherwise you are being hypocritical." Against the predominance of the accounting establishment, a few Abe Briloffs can be no bad thing.

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Applications forms are available from: Sheila Palmer, Management Consultancy Services, Brent Town Hall, Forty Lane, Wembley Middlesex HA9 9HX Tel: 081 – 908 7097 (24 hour service).

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Additionally you will assist the Corporate Controller in reviewing the financial implications of a wide range of business issues including acquisitions, financial structuring and funding, and tax planning.

For this appointment *we are seeking a high calibre* graduate Chartered Accountant (or CPA) aged 33-40, with excellent technical experience gained either in practice or in industry, including exposure to complex international multi-currency consolidations. You will have proven management, organisational and communication skills and a working knowledge of personal computers and related software.

If you wish to be considered for this exceptional appointment, with career routes leading to subsidiary Controllerships, *call* **Suzanne Swycher** or **Neil Wax** on **071-387 5400** (evenings **081-203 8417**) or write/fax your CV to **Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN. (Fax: 071-388 0857).**

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City

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As this is a new role the challenges cannot be underestimated. Successful candidates are likely to be graduate chartered accountants who can already demonstrate achievement as a Finance/Administration Director in the services sector. Experience of working for a professional partnership would be regarded as a plus and a strong *"hands-on" IT background is essential.*

Candidates are likely to be high achievers who have enjoyed success early in their careers, possess excellent interpersonal skills and can influence and persuade at the highest levels.

Interested candidates should write enclosing full career and salary details to Anna Ponton, quoting reference J0752.

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The successful candidate is likely to be a graduate ACA, aged early to mid 30's. Previous exposure to internal audit within the financial services sector and, ideally, the securities industry, is essential. Technical competence and computer literacy are prerequisite. Equally important are a pragmatic, results orientated approach, first class communication skills and a forceful, outgoing personality which inspires confidence.

Please write in confidence, enclosing full career and salary details to Tim Knight, quoting reference TCK/0909.

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THE POST

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- A qualified accountant, probably 35-45
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THE POSITION
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- Business analysis and ad hoc reporting, including acquisition and disposal evaluations.

QUALIFICATIONS
- Graduate ACA. Age 30-45, experience of Head Office accounting in industry or the profession.
- Strong technical competence. Ability to work to tight deadlines, delivering incisive commentary on global and detail issues.
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Please send full cv, stating salary, Ref BM3433
NBS, Berwick House, 35 Livery Street, Birmingham,

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Interested candidates should contact **Joe Thomas** at Douglas Llambias Associates Limited, 410 Strand, London WC2R 0NS, Telephone 836 9501, Fax 379 4820.

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- ▲ develop global pricing and product margin policies
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Applicants should write, quoting the reference and enclosing a Curriculum Vitae together with details of current salary, to: Peter Ward ACMA, Martin Ward Anderson, Goswell House, 134 Peascod Street, Windsor, Berkshire SL4 1DS.

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The successful applicant will be a qualified ACA/ACCA with experience gaiged in an international accounting practice or possessing line management experience in an equivalent company. Exposure to the mining or similar process industry is of considerable advantage. Individuals should have preferably worked in a developing country, will be in excess of 35 years of age, self motivated, and strong communicators with clear *analytical/problem solving skills*.

*For further information please call **Jennifer Ogden** or **Gary Johnson** on 071 629 4463. Fax 071 491 4705 (evenings/weekends 071 326 0068) or write enclosing your CV to our London office.*

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As a result of the relocation of its head office to Preston the position of Finance Director has become available The post will initially be designate with confirmation of appointment as Finance Director after a period of time in the role

The Finance Director will be responsible for the 'hands-on' financial control of the business and for company secretarial matters. Specific duties will include: responsibility for the preparation of management and financial accounts, budgets and cash forecasts, effective budgetary control and financial analysis as well as dealing with the company's bankers and professional advisers

This post requires a qualified chartered accountant who can get beneath the skin of a business and has operated in a 'hands-on' environment. A commercially orientated accountant is needed who has the ability to contribute a financial perspective to the operational issues of running the business.

Candidates must be able to demonstrate previous experience of financial control in a multi-site service environment as well as considerable general management experience.

Please write with full career and salary details quoting reference B/430/93 to Damans Marron.

KPMG Selection & Search
Peat House, 2 Cornwall Street, Birmingham B3 2DL.

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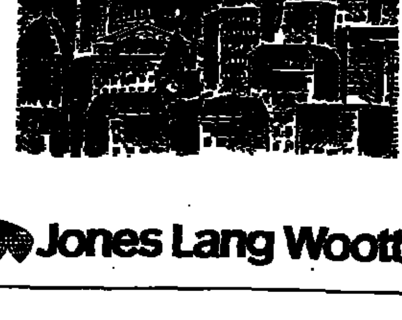

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The closing date for receipt of applications is 23 September 1993.

Jones Lang Wootton

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Chief Internal Auditor

Royal Liver Assurance is the country's second largest collecting Friendly Society, with funds in excess of £1.2 billions, more than 2,200 employees and branches throughout the United Kingdom and Republic of Ireland.

In the light of new regulations which extend the opportunities available to such Societies, the business is entering a period of significant change and development and as part of these changes, the Society's present internal audit activities are to be strengthened by the formation of a new Internal Audit Department.

Based at the Society's Head Office in Royal Liver Building, Liverpool, your initial task will be to establish the new department and evaluate existing control systems. You will be responsible to the Chairman of the Society's Committee of Management and report administratively to the Society's Treasurer. You will be expected to periodically present reports on the internal auditing activity and effectiveness of the control systems to the Society's Audit Committee.

You will probably be a graduate accountant who has managed significant audits in financial institutions. Internal auditing experience in a blue-chip business would be an advantage. You should also possess sound skills in computer systems assessment as the Society is committed to extensively upgrading its applications.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence, to Peter Jones, Coopers & Lybrand Executive Resourcing Ltd, Richmond House, 1 Rumford Place, Liverpool L3 9QS, quoting reference P257 on both envelope and letter.

Coopers & Lybrand Executive Resourcing

LONDON

c £40K + CAR + BENEFITS

Compliance Manager

An important priority for this leading firm of business advisors is to *continually ensure that the highest professional standards are* maintained across all areas of the UK organisation. The provision of a proactive and responsive compliance service is central to achieving this corporate objective. An energetic and committed professional is now sought to further enhance the compliance function.

As a key member of the small compliance unit your role will be high profile, varied and demanding, providing involvement in central decision making. The main areas of responsibility will include compliance with the regulatory and ethical requirements affecting the organisation, which will involve compliance monitoring of offices, divisions and central functions. In addition you will be encouraged to contribute actively to the ongoing development and refinement of compliance systems and procedures and the interpretation of new regulations.

Candidates should possess an audit background combined with some experience of financial services regulation and professional ethics. The ability to see the broader picture together with the flexibility to also deal with the minutiae of regulation will be important. You should also demonstrate excellent communication and investigative skills, combined with strong personal credibility and integrity. You are likely to be ambitious, looking for your next positive career move - perhaps an Audit Manager seeking a new direction, or an existing compliance professional looking for an environment to realise your full potential.

Please send full personal and career details, including current remuneration and daytime telephone number, in confidence to Ann Shepherd, Coopers & Lybrand Executive Resourcing Ltd, 76 Shoe Lane, London EC4A 3JB, quoting reference AS994 on both envelope and letter.

Coopers & Lybrand Executive Resourcing

EUROPEAN AUDIT

As a result of promotions within the Group, this major US multinational, with revenues in excess of $20 billion, seeks its next generation of Financial Managers.

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Russian language ability a major advantage

Based in Brussels, the audit team is young, multi-cultural and highly professional. Team membership averages two years before promotion into an operational role. Reporting to the Regional Audit Manager, you will undertake financial and operational reviews throughout the European region.

Requirements:

- a university degree followed by an accountancy/business qualification
- a minimum of three years audit experience
- *fluency in English and at least one other European language*
- ready to travel 75% (return to Brussels at weekends)

In addition, Russian language ability would be highly desirable due to recent expansion into Eastern Europe.

You will be dealing with top international management, influencing key strategic decisions during a time of exciting change in Europe.

If you have the initiative and drive to succeed in this highly motivating, competitive environment please write to:

Rod Bailey at Nicholson International, Search and Selection Consultants, Africa House, 64-78 Kingsway, London, WC2B 6AH, quoting reference number 1922. Alternatively, call for an initial discussion on **071 404 5501** or fax details on **071 404 8128.**

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Assistant Chief Accountant

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The John Lewis Partnership is one of the country's leading retailers with annual sales exceeding £2 billion. Over 34,000 people are employed in our department stores, food shops and manufacturing units throughout the UK.

This is a senior position within the Partnership and the person appointed will report to the Chief Accountant. Responsibilities will include group consolidations and the preparation of monthly management and annual statutory accounts, involving close liaison with branch accountants, head office management and the external auditors. Responsibilities also extend to the supervision of central accounts departments including a central pay office and pension fund accounts.

This role calls for a qualified accountant, preferably chartered, with extensive financial and *management accounting experience, gained in a* commercial environment. Although exposure to the retailing sector is not essential, you must have proven man-management and technical skills and be able to demonstrate that you will work effectively in a fast moving department, where up-to-the-minute accurate financial information is of *paramount importance.*

Benefits include five weeks' holiday, shopping discounts in our department stores and Waitrose supermarkets, a non-contributory pension scheme and profit sharing.

Please apply in writing, with a curriculum vitae, to: Director of Personnel, John Lewis Partnership, 171 Victoria Street, London SW1E 5NN. Ref:FT/9/9

JOHN LEWIS PARTNERSHIP

FINANCIAL CONTROLLER

Our Client is part of a highly successful multinational Group renowned for manufacturing and marketing a wide portfolio of quality branded consumer products.

Their success is based on commitment to customer service orientated product development, supported by integrated computer technology, and a focused acquisition strategy.

As a result of continued expansion an experienced Financial Controller is sought to take full charge of all operational aspects of financial control in the UK through an established accounts team.

Liaison with senior management from all disciplines at local and international level is an integral part of the role.

Candidates must be qualified Accountants of graduate calibre, aged 35-40, with a proven track record in financial management gained within an FMCG environment. You will be a self-starter with an ability to meet deadlines, prioritise workload and combine a 'hands on' approach with an investigative mind. In addition, a knowledge of computerised systems and highly developed management and interpersonal skills are essential.

A high calibre individual is vital for this role as growth prospects within the UK and overseas are excellent.

Please send your CV to Suzzane Wood at Robert Half, Princess Beatrice House, Victoria Street, Windsor, Berkshire SL4 1EH. Telephone: 0753 857777, or alternatively fax your CV on 0753 841676.

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Merci d'adresser lettre manuscrite, CV et salaire actuel sous la réf. 1045 à Diaconseils, 24, rue du Cdt Faurax, 69006 Lyon. Confidendialité assurée. Réponse sera adressée seulement aux candidatures bénéficiant d'une suite favorable.

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This position arises from a promotion within the GE Capital Group. Reporting to the Finance Director, this Manager leads a team responsible for product pricing and profitability analysis, planning and budgets, capital investment appraisal and decision support. The remit is wide-reaching, with high visibility across the organisation and involving a close working relationship with the Company's Actuaries and Business Development team.

The successful candidate is likely to be a qualified accountant who has had some exposure to both US and UK GAAP, with excellent analytical skills and experience in using PC based analytical models.

He or she will demonstrate sound judgement and communication and leadership skills, required both in managing the FP & A team and working with other functions.

There is a strong emphasis on personal development and career opportunities are excellent. Total compensation package will include an excellent salary, performance bonus, car and finance sector benefits. Reply, with detailed CV, to Stephen Hales, Group Resources Director, Financial Insurance Group Limited, Financial House, Eaton Road, Enfield, Middlesex EN1 1YR.

FINANCIAL INSURANCE GROUP

HEAD OF GROUP AUDIT

Establish Internal Audit in a Successful Financial Services Group

£50,000 + Car + Financial Sector Benefits
North Cheshire, Relocation Package Available

Refuge Group Plc is a diversified financial services Group operating in Life Assurance, Pensions, General Insurance and Fund Management. With over £3 billion under investment, the Group has remained consistently profitable. To help meet the challenges of the 1990s we wish to appoint a Head of Group Internal Audit.

The Head of Group Internal Audit is a senior management appointment and will report to the Audit Committee and administratively to the Group Chief Executive. The position will have responsibility for defining and reviewing Group risks and vulnerabilities together with the establishment and ongoing management of a modern systems based internal audit department. Emphasis will be placed on ensuring that effective control is maintained throughout the Group whilst determining ways to enhance and improve the efficiency and profitability of all operational functions.

This is an exciting opportunity to develop an internal audit department covering general, computer and branch audit functions. It will appeal to dynamic and achievement orientated individuals seeking a senior hands on management role.

Applicants must have previous experience of managing an internal audit function in a sophisticated, I.T. dependent commercial environment. It is anticipated that the successful applicant will most likely be a qualified accountant, have previous financial services experience and have a comprehensive appreciation of I.T.

For further details and to apply, please contact Adrian Simpson ACA, at Barclay Simpson Associates, Hamilton House, 1 Temple Avenue, Victoria Embankment, London EC4Y 0HA. Telephone 071-936 2601.

Refuge Group PLC

'Using your finance skills to help women in housing need'

FINANCE MANAGER

£30,000 KENNINGTON, LONDON SE11

Housing for Women comprises two registered charitable housing associations founded in 1935 by concerned individuals including T.S. Eliot. Queen Mary was our first patron. Originally established to house single working women, we now concentrate on housing homeless women especially single parents.

Over 500 homes are currently owned and in management with an active development programme expected to produce nearly 100 homes. A number of other initiatives are also under management including emergency short term housing.

You will need to be a qualified Finance Manager, able to provide expertise and management for our finance function. Experience of raising loan finance from institutions and information technology skills would be an advantage.

This is a challenging environment with a high level of responsibility and the opportunity to make a real social contribution. Housing for Women is one of the few housing associations dedicated to providing women with the fundamental necessity of decent accommodation.

If this working environment is what you have been looking for, please telephone or write for information to our advisers: HACAS Ltd, United House, North Road, London N7 9DP. Tel: 071-609 9491 Fax: 071 700 7599. For an informal discussion call Margaret Moran, the Associations' Director, on 071-582 7605, or Derek Joseph of HACAS Ltd on 071-609 9491.

Housing for Women is working towards being an Equal Opportunities

P.A. to FINANCE DIRECTOR

Finance Director of a rapidly expanding group with interests in mining and finance seeks a P.A. Aged 25 to 30 and an ACA with 1 year or more post qualification experience. Salary circa £25,000 (negotiable). Willingness to travel and a practical approach to business required.

Written application and CV's to C.Purdy, Namco, 10 Cromwell Place, London SW7 2JN.

Financial Director
CZECH REPUBLIC

Comprehensive benefits package

The Company

A company which boasts 6,300 retail stores including 70 manufacturing units and employs 67,000 staff worldwide is the leading and only truly global marketer and manufacturer in its product field. Within the Czech Republic its current operations are unique in their retailing strength, brand recognition and complexity of the company's operations. Further progress, development and success are the main objectives.

The Role

There are those fundamental aspects of a financial executive position, namely: *Financial reporting; budgeting for retail and manufacturing* operations; costing for factories; business planning and M.I.S. However as a director level position within a substantial national unit of a multi-national business, the role assumes much broader dimensions. You will be integrally involved in business strategy and planning, and liaise closely with the chief executive of the Czech Republic. The company also has significant commercial real-estate which needs financial management.

The Person

Whilst requirements for an equivalent role based in the West apply to this position, there are material differences. Professional qualifications, in accounting are strongly *favoured, but not a pre-requisite providing the* candidate has strong practical experience. An understanding of the Czech or Slovak language and/or a knowledge of operating in Eastern and Central Europe is highly desirable. The emphasis is on the individual's skills and management capabilities rather than relevant industry experience. Preference will be given to applicants with five years financial and business management experience in a Western European or North American styled business.

The company has the financial resources to attract the right individual. Please send your application to the address/fax below quoting Ref: FT2075

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P & G is looking for individuals with the potential to make a significant contribution to its business. Without exception the company's senior management are promoted from within the organisation, giving career development second to none and a range of opportunities worldwide that few companies can match. To create the well rounded business managers of the future you will move quickly from one financial position to another, gaining the necessary experience in all aspects of the business. These positions will involve you working in multi-discipline teams of highly committed professionals, addressing areas such as brand analysis (including new product launches, competitive analysis and pricing), plant financial management, systems development and financial reporting.

Interested candidates will need to be able to display exceptional levels of achievement to date, both in and out of the work place. The environment is demanding and geared to achieving excellence. Over time you may need to be flexible on location in order to take advantage of global career opportunities throughout the group.

For further information in strict confidence, please contact our advising consultants Brian Hamill or David Craig at the offices of **Walker Hamill on 071-287 6285.** *Alternatively forward a brief resumé to* **29-30 Kingly Street, London W1R 5LB** *quoting ref BH781.*

U.K. Finance Director

c£55,000 + Car — London

Logica plc is an international computing services company with operations throughout the U.K., Continental Europe, North America and the Asia/Pacific region. Its client list includes many of the world's leading organisations, for whom investments in information technology are of strategic importance. Logica helps these clients to maximise value by supplying consultancy, software and systems integration services to the highest professional standards.

For the year ended 30 June 1992, Group turnover was £200 million and profit before tax £7 million, reflecting difficult world-wide trading conditions. However, a young dynamic management team, coupled with the ability to build successful long-term business relationships and a commitment to teamwork and flexibility of approach, allows Logica to view the future from a position of considerable strength.

There currently exists a requirement to augment the senior management team with the appointment of a Finance Director for Logica U.K. Ltd. Reporting to the U.K. Managing Director, with functional responsibility to the Group Finance Director, the appointee will be primarily involved in the financial management of the Group's U.K. operations. As the largest subsidiary of Logica plc, with revenues in excess of £120 million, this is a key appointment and will encompass all aspects of financial reporting, control and analysis, as well as offering a leadership role in the implementation of major new financial systems.

The opportunity will appeal to a commercially orientated qualified accountant (aged 35-45), with the ability to implement and manage change in a challenging environment. Experience of operating at a senior level, preferably within a service industry and of running accounting operations in a multi-site operation, would also be desirable. In addition, the candidate should be a highly effective communicator, with the ability to generate, absorb and apply new ideas within this highly meritocratic organisation.

The remuneration package will reflect the seniority of the position and will include an attractive basic salary, company car, normal executive benefits and the opportunity to develop a stimulating career within this high profile international group.

Interested applicants should write, in the strictest confidence, to our retained consultants David Craig or Brian Hamill, forwarding a brief resume to the London offices of **Walker Hamill at 29-30 Kingly Street, London, W1R 5LB,** *quoting ref: DC1205.*

logica

Finance Director

North West — To £40K + Car

Our client is a subsidiary of one of the most respected engineering consultancies in the world. They now seek to recruit a Finance Director who will take control of the company's finance and accounting functions *from their base in the North West of England.*

Reporting to the Managing Director, with a line to the Group Finance Director, you will take immediate responsibility for the production of monthly management accounts, budgetary control and general accounting systems management and development. You will provide significant input into the business, particularly in the area of contract preparation, project management and associated financial decision making.

This appointment represents a high profile opportunity within the group for a qualified accountant to make an early and commercial contribution to the business by providing effective financial advice and guidance at a senior level.

In the first instance contact Helen Isaac or Chris Denington at Grant Thornton, International House, 7 High Street, Ealing, W5 5DB (Tel: 081 566 5900). Ref:1032

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Andrew Skarzynski on (071) 407 5754

Finance Manager

Leading UK consumer products group

c. £45,000 + Car — FMCG

With a turnover in excess of £1bn and a highly visible domestic presence, our client has rapidly evolved as a leading UK consumer products group. A dynamic management team, coupled with innovative marketing strategies, and a reputation for product excellence, has been effective in producing a number of attractive business opportunities. Future growth prospects are considered to be exceptional.

There now exists a requirement in one of the key divisions to augment the management team with the appointment of an outstanding Finance Manager. Reporting to the Production Director with dotted line responsibility to the Finance Director, and controlling a small professional team, the appointee will primarily act as a focal point between finance and the production units. Specifically, this role will encompass the development of cost structures, the evaluation of growth opportunities, and the creation of financial and strategic plans. The successful candidate will be expected to actively contribute to the success of the division through a commercial and practical approach.

This opportunity will appeal to a graduate accountant (aged 30-35 years) with a minimum of 5 years post-qualification experience in a large multi-site manufacturing organisation (ideally FMCG). The ability to liaise and influence professionals at a senior level, impartially assess organisational problems, motivate a high calibre team, and constantly adapt in a fast moving and challenging environment are essential.

The benefits include an attractive remuneration package, company car, and the opportunity to develop a stimulating career within this rapidly developing UK group.

Due to the multi-site nature of the business, there is some flexibility regarding the location of this role.

Interested applicants should write, in the strictest confidence, to Brian Hamill or David Craig, forwarding a brief resumé to the London offices of **Walker Hamill at 29-30 Kingly Street, London, W1R 5LB,** *quoting ref: BH 923.*

Financial Controller

Milton Keynes — £ Neg

Our client has an outstanding reputation for product quality and customer service in the food and drink industry. During the last 3 years the UK subsidiary of this well established pan-European business has seen particularly impressive growth.

A crucial part of this growth is the appointment of a Financial Controller *to manage and develop the full finance function within the UK company.* Working at senior level in the organisation, your key objective will be to provide the Directors with timely and accurate management information, whilst taking day to day responsibility for cash flow management, credit control and liaison with professional advisers.

It is likely that you are a qualified accountant, able to demonstrate the highest levels of technical competence and commitment and you will be looking to develop beyond the immediate scope of the role.

In the first instance please contact Helen Isaac or Chris Denington at Grant Thornton, International House, 7 High Street, Ealing W5 5DB (Tel: 081 566 5900). Ref: 1031

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Two of Europe's leading arts organisations, the Royal National Theatre and the South Bank Centre (which includes the Royal Festival Hall and Hayward Gallery) are now seeking to engage an Internal Auditor on a shared and full time basis.

This is a new engagement and the successful applicant will provide services under contract and should be able to work from home. An annual fee of £30,000 will be paid and the contract will be renewable every 3 years. Although the roles required by the two organisations will vary to some extent, the auditor will be chiefly involved in assessing systems procedures and working practices to ensure their effectiveness and efficiency and recommend improvements when appropriate.

Candidates must be members of one of the main Accountancy Bodies and have at least 3 years' post-qualification audit experience encompassing an appreciation of internal audit work. A high degree of computer literacy, including good spreadsheet experience, is also essential. Membership of the Institute of Internal Auditors would be an advantage.

Please submit a full curriculum vitae and covering letter in **support of your application, to Maria Hatton, Personnel Department, South Bank Centre, Royal Festival Hall, London SE1 8XX. Closing date for return of applications: Thursday 16th September. Interviews will be held on Tuesday 28th September 1993.**

The South Bank Board welcomes applications from all sections of the Community regardless of race, colour, ethnic or national origins, age, marital status, sex, sexual orientations, disability or religious beliefs.

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To apply, please write quoting reference number ORU714/FT to: Personnel Department, European Bank for Reconstruction and Development, 1 Exchange Square, London EC2A 2EH.

Please help us by not telephoning. All applications will be acknowledged.

FINANCIAL CONTROLLER • ESSEX/KENT

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Financial Controller

c.£35k • Basildon, Essex

Working with the Managing Director, your brief will be to control, coordinate and plan the financial performance of the whole operation. You will have overall responsibility for:

- **The monitoring of assets and business performance to budget. This will include inventory, facilities, cash and accounts receivable.**
- **Supervision of month end accounts for reporting to Group headquarters.**
- **Responsibility for MIS, the customer database and billing functions.**

As the person most able to understand management information, you will have a key role in influencing the priorities of the business. You must, therefore, have the intellectual rigour to spot the trends that, when acted upon, will ensure the business is properly controlled.

To succeed you must therefore be:

- **Experienced in a role responsible for the financial performance of a business unit.**
- **Graduate qualifed to ACA or CIMA.**
- ***Strongly results orientated.***
- **An energetic and dynamic manager with the confidence and interpersonal skills to influence business performance.**

To apply send a CV, quoting reference SF/FC, to: Stephen Finley, **MERCURI URVAL,** Spencer House, 29 Grove Hill Road, Harrow, Middx. HA1 3BN.

UNITED ARTISTS

Financial Accountant

Derivative Product Specialist

A leading London based fixed income arbitrageur seeks a qualified financial accountant to assist with systems design, risk control and portfolio valuation. The ideal applicant will have experience with a wide variety of financial and derivative products including repurchase (and reverse) agreements, swaps, etc. options and exchange traded futures. This person will be highly motivated with a strong work ethic capable of working directly with proprietary traders. A minimum of three years work experience in financial accountancy, preferably in a leading investment bank is required. Computer literacy is a must, with knowledge of software packages such as Excel and Paradox strongly favoured. In addition to excellent compensation and career opportunities, this position presents the opportunity to work in a very positive and privileged work environment. If you meet these specific requirements and are *ready for a challenge please* send cv. to:

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KPMG Peat Marwick

Financial Services Consulting — c.£35K - £55K

KPMG are going through a period of sustained growth as they successfully capitalise on strong and broadly based financial services clients. This expansion has created requirements for enthusiastic and business minded accountants with the potential to project manage major assignments.

We are seeking committed individuals with high energy levels with a successful background in *either* consultancy or the financial services industry.

Experience in internal consultancy; product accounting; operational management, strategy; information systems or business process re-engineering would be preferred.

To succeed within this competitive consulting environment a blend of tenacity and vision is required in addition to strong accounting and project management skills.

If you have a minimum of three years relevant financial services experience, are a *graduate qualified* accountant and *looking for a real* opportunity to create your own career path, please send your C.V. quoting ref FT109 to Tim Whale or call him on the number below (or on 0836-798884 evenings/weekends).

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FINANCIAL TIMES
COMPANIES & MARKETS
Friday September 10 1993

INSIDE

RTZ rises 15% despite prices fall

RTZ, the world's biggest mining company reported a 15 per cent increase in mid-year, pre-tax profits to £339m ($525m), in spite of an average 11.5 per cent fall in metals prices. Mr Bob Wilson, chief executive, said the results had benefited by £50m from exchange rates. Page 24

Belgium to clear Fortis

The Belgian government is likely to clear the way today for Fortis, the Dutch-Belgian financial services group, to buy a majority stake in ASLK-CGER, the state-owned savings and insurance group. Page 20

BT in Spanish surprise

British Telecommunications is poised to break into the internal Spanish data transmission market, loosening the grip on the sector held by Telefonica, the Spanish government controlled group, through a surprise agreement with Banco Santander, the big domestic financial institution. Page 20

Campbell hits record

Campbell Soup, the US food products group, said yesterday it had achieved record earnings and sales in the fourth quarter Page 21

Japan Tobacco on the move

Japan Tobacco, the government owned tobacco company set for privatisation early next year, is actively investing in new projects and introducing cigarette brands ahead of the flotation. Page 22

Austrian market leaps to life

The Austrian new issue market, long moribund because of deeply depressed share prices, has found a new lease of life in the past few weeks. Page 23

Downbeat at Booker

Booker, the UK food distribution and agribusiness group, was downbeat about its outlook for the second half as it announced a slight fall in interim profits. Page 26

Watchdog bites at British Gas

British Gas's results showed a a fall in operating profit from UK gas supply from £809m ($1.2bn) to £742m because of the regulatory squeeze on margins and the Office of Fair Trading requirement that British Gas divest itself of a major portion of the industrial market. Page 27

Beefing up animal feed

The business of feeding UK livestock is becoming increasingly sophisticated, which is one reason for the growing concentration of the compound animal feed market in the hands of national producers. The latest move came last week. Page 29

New indices

Since the 1987 London stock market crash, there have been striking differences in the share price movements of the biggest companies and their medium- and smaller-sized rivals. This is highlighted by new Large Cap and Medium-Small Cap series calculated from this week as part of the FT-Actuaries world indices. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Asko	784	+	28
Colonia Knz Pf	895	+	35
Falls			
Degussa	349.5	-	6
Schering	957	-	28.5
Schmalbach Lub	350	-	15

NEW YORK ($)

Rises			
Chemical Bank	42¾	+	1⅜
Glaxo ADR	19¾	+	1¼
Intel	64¾	+	1⅛
JP Morgan	77⅞	+	2
UAL	143¾	+	2¾
USAir	13⅞	+	¾

PARIS (FFr)

Rises			
Carrefour	3184	+	72
Falls			
Accor	623	-	17
Bouygues	667	-	22
Canal Plus	1248	-	57
Eurafrance	1956	-	68
Legrand	4625	-	289

TOKYO (Yen)

Rises			
Daiei Inc	1500	+	60
Falls			
Central Finance	548	-	17
Daicel Chemical	570	-	15
Fuji Heavy Ind	338	-	12
Gakken	1030	-	60
Nippon Steel	342	-	18

New York prices at 12.30pm.

LONDON (Pence)

Rises			
Ashley Grp	18	+	1½
Blue Circle	284	+	14
Central ITV	2063	+	50
Domestic & Gen	1625	+	67
Electron House	126	+	11
GUS A	2158	+	55
Glaxo	628	+	27
Gt Southern	407	+	15
Hall Eng	274	+	22
Hobson	14½	+	4½
Int Comm Data	13	+	1½
RMC	807	+	29
Redland	548	+	14
Slough Estates	237	+	10
Falls			
BTR	381½	-	17½
Babcock Int	31½	-	8½
Blenheim	333	-	22
Dunhill	377	-	15
Friendly Htls	179	-	7
Gowrings	68	-	7
JIB	183	-	7
Lister	64	-	5
Rothmans B	675	-	21
SmKl Beecham A	429	-	15½

Glaxo increases dividend by 29%

By Paul Abrahams in London

GLAXO, Europe's largest pharmaceuticals group, yesterday reported a 17 per cent rise in pre-tax profits for the year to June 30, up from £1.42bn to £1.67bn.

The results were helped by robust performances from Zantac, the world's best-selling medicine, and recently introduced products. Advantageous exchange rates contributed to the improvement.

The Glaxo board surprised the market with a 29 per cent dividend increase. It proposed a final dividend of 15p, making a total of 22p (against 17p) for the year. Glaxo's shares rose 27p to 628p.

Glaxo's cash mountain continued to grow. Liquid funds available for investment increased from £1.332bn to £1.815bn. However, Mr John Coombe, finance director, said that in view of the uncertain conditions in the healthcare environment, the company was not in a hurry to spend.

Dr Richard Sykes, chief executive, said doubts remained over the future of Zantac, sales of which rose 20 per cent to £2.172bn. At constant exchange rates, the growth was 11 per cent. The drugs' patents are being challenged and it faces increasing competition.

Dr Sykes said he did not expect US healthcare reforms to have a significant impact on Glaxo's business. The company generated more than $3bn (£1.9bn) in the US.

Nearly half of that was already through the managed care system that President Bill Clinton was hoping to encourage, Dr Sykes said.

Expenditure on research and development increased 24 per cent to £739m, making the group the world's largest spender on drugs R&D. The company said it expected R&D spending to increase to £850m in the coming year.

Capital expenditure was £650m, up 15 per cent. It had probably peaked, Dr Sykes said.

Group turnover increased 20 per cent from £4bn to £4.9bn and operating profits were up 18 per cent from £1.28bn to £1.525bn. At constant exchange rates, they rose 11 per cent and 12 per cent respectively.

Earnings per share increased 16 per cent from 34.3p to 39.9p. Earnings per American Depositary Receipt increased 7 per cent from $1.21 to $1.29.

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Nissan may sell stock to offset loss

By Michiyo Nakamoto in Tokyo

NISSAN, Japan's second largest carmaker, may sell shareholdings in an attempt to offset portfolio losses it is likely to have made in the six months ending this month.

The move, which is highly unusual for a Japanese company, reflects the pressures Nissan faces from a sharp downturn in the Japanese car market, which fell nearly 7 per cent in the first half of this year.

If implemented, the sell-off could prompt similar action by other companies and lead to a general unravelling of the web of cross-shareholdings that link Japan's corporate giants with financial institutions, subcontractors and group companies.

Nissan is considering selling its stakes in large banks and life insurance companies in an attempt to cover the losses of some Y40bn ($377m) it has forecast for the first half of 1993-94.

Its stock holdings amount to Y391.4bn at book value, the company said.

While it is common practice for Japanese companies to sell part of their cross-shareholdings to realise profits at the end of the year, they normally buy them back right away.

In a first-ever move for the company, however, Nissan will not buy back the shares it sells at the end of the fiscal year. Nissan also said it is likely to sell part of its property holdings.

With the sharp appreciation of the yen, and the increasing possibility that the Japanese economy will remain sluggish for some time, Nissan is uncertain how much of that Y40bn it will be able to recoup in the second half of 1993-94.

The Japanese car industry is bracing itself for a third year of falling demand. Exports have suffered both under the impact of the high yen, which has forced carmakers to raise prices in the competitive US market, and the recession in Europe. Meanwhile, the yen's rise has squeezed profits from overseas sales.

Mr Yoshifumi Tsuji, Nissan's president, said last month that economic weakness and the yen's rise had forced the company to cut production plans.

Nissan has already launched a restructuring programme aimed at cutting Y200bn in costs by the end of March 1996. Earlier this year it announced plans to close a car plant in Zama, on the outskirts of Tokyo.

Richard Waters reports on buildings being unloaded for funds seeking higher yields

Investors pause at the door of US property

After three years of stagnation, liquidity is seeping back into the US commercial property market. The soaring prices – and falling yields – in equity and bond markets are driving some investors into property in search of higher returns. And with banks and insurance companies still weighed down by their property lending binge of the late-1980s, there is a big overhang of assets for sale.

Two transactions point to the growing level of activity. On Wednesday, the Quantum Realty Fund, a property investment vehicle set up earlier this year by the financier George Soros, paid $634m for a portfolio of troubled property assets from Travelers, the US insurance company. Even after the sale, Travelers has $4.3bn of underperforming commercial mortgage loans and properties acquired through loan foreclosures.

Like other big insurers, including Prudential Insurance, it is still looking at ways of unloading properties in bulk. Selling underperforming assets allows the insurers to reinvest money in areas which offer a higher current return. Also, risk-based capital rules for insurers that are to come into force soon will make property investments less attractive: Mr Bob Crispin, Travelers' chief investment officer, estimates that property will attract a 10 to 15 per cent capital charge, compared with the 1 to 2 per cent charge on corporate bonds.

The Soros fund had nearly pulled off another big transaction a month before, offering $161m in a sealed-bid auction for an office block near Manhattan's Times Square. The property later went to the investment bank Morgan Stanley, which bid $176m and plans to use the building as its new headquarters. The competitive bidding cheered a market long starved of such public indications of demand for office property.

Like insurers, banks are also eager to shed underperforming property assets which are weighing down their balance sheets. Also, strong profits in recent quarters have enabled them to build up solid provisions against troubled property assets, making it easier to dispose of the assets.

While these two deals have caught the headlines, there is more evidence to suggest that activity in the commercial property market is picking up.

Travelers reports strong interest from pension funds looking to acquire property assets. With pension funds increasing their involvement in sub-investment grade bonds, emerging stock markets and Latin American debt, it perhaps isn't surprising to see them returning to property as well. However, the decline in property prices has undermined the view of property as a stable asset offering a high rate of return, forcing many pension funds to re-evaluate the attractions of property, said Mr David Kostin, an analyst at Salomon Brothers.

Some investment managers, believing the stock and bond rallies are sure to end soon, are already building a bigger exposure to property: Morgan Stanley has taken its investment in property from almost nothing to 9 per cent in less than six months. The opportunity to earn yields of 8 per cent or more, when 10-year Treasury bond yields have fallen to 5.23 per cent, explains the move.

One of the clearest indications of growing institutional interest has been the flow of new cash into real estate investment trusts (Reits). In the first six months, trusts raised $2.5bn, more than in the whole of 1992.

Demand for Reits pushed up the property investment trust index run by the National Association of Real Estate Investment Trusts by nearly 15 per cent in the first three months of the year, though a correction in the second quarter saw it fall back slightly. Even after this, the yield on property investment trusts had fallen to around 6 per cent – well below that on commercial properties traded in the private market.

Other securitisations of property have also picked up this year. Total sales of new commercial property-backed securities was running at around $1.5bn a month in the first six months of this year, up from $1bn a month last year. The Resolution Trust Corporation, established to take on and dispose of assets of troubled thrifts, accounted for only a quarter of these sales, compared with more than a half during 1992. Its shrinking involvement has left more room for private sector entities such as banks and insurers to dispose of assets.

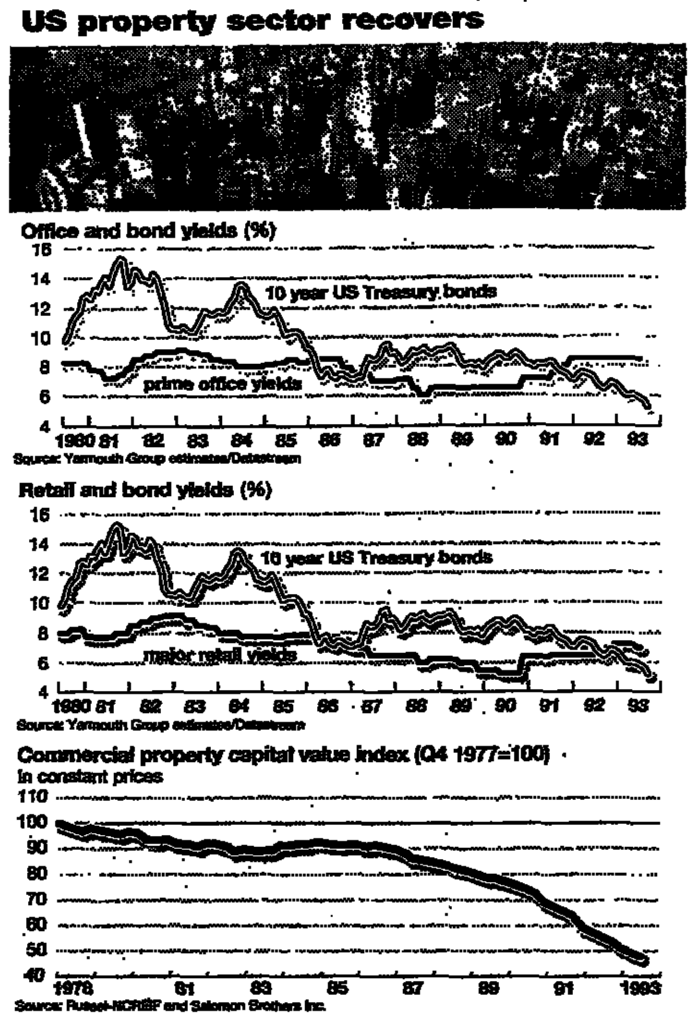
The yield premiums available on commercial mortgage-backed debt accounts for much of the demand. A 10-year, double-A rated bond currently trades at a yield of around 200 basis points (or two percentage points) above US Treasuries. The yield premium on a comparable good-quality corporate bond is only 70-80 basis points.

The demand is likely to generate many more commercial property-backed securities. The Quantum Fund plans to issue bonds to finance some $350m of its Travelers purchase, and may also put some of the assets into a Reit, which would then be floated. Prudential Insurance, which has hired Morgan Stanley to explore the attractions of a bulk sale of as much as $700m of its properties, says it is also considering shifting assets into a Reit.

In spite of the increased activity, there is little to suggest that property values are heading up again. A commercial property market index run by consultants Frank Russell and the NCREIF, based on appraised market values, showed a total return of zero for the first six months of this year: the income generated by properties in the index was wiped out by further capital write-downs. This was at least an improvement after eight consecutive quarters in which the total return had been negative.

Prices are likely to recover only when demand for vacant office, retail and industrial space falls and rental income picks up. That will happen when economic activity accelerates and companies take on more space to house growing workforces. Last week's disappointing US employment data for August offered little hope that America is returning to work yet.

US property sector recovers



Cadbury Schweppes rises 32% and makes £324m rights

By Guy de Jonquières, Consumer Industries Editor

CADBURY Schweppes, the confectionery and soft drinks company, yesterday launched a £324m ($498m) rights issue priced at 400p per share after reporting a 32 per cent rise in pre-tax profits to £166.2m in the first half.

Most of the proceeds of the 1-for-9 issue are intended to fund a $334m agreed takeover of A&W Brands, the largest US producer of root beer, also announced yesterday.

Acquisition of A&W, which had sales last year of $130.8m, would raise Cadbury's share of the US soft drinks market by almost two-thirds to 5.6 per cent.

The proposed deal follows Cadbury's purchase last month of a further 20 per cent of Dr Pepper, the third largest US soft drinks producer. Cadbury said it was also negotiating the acquisition of an unnamed confectionery business with sales last year of about £55m and net tangible assets of £20m.

The rights issue, of 82.8m ordinary shares, is not conditional on completion of the A&W purchase. Hoare Govett is stockbroker to the issue, which has been fully underwritten by Kleinwort Benson. Cadbury's shares closed yesterday unchanged at 470p.

The latest pre-tax profits, for the six months to June 19, compare with £125.9m last time and reflected strong improvements in all regions except continental Europe. Sales increased 16 per cent to £1.7bn, while group trading margin rose to 10 per cent from 9.6 per cent.

Mr Dominic Cadbury, chairman, described the performance as excellent. Though continental markets remain depressed, he was confident this year would show "significant progress".

UK trading profit rose 29 per cent to £79m.

In continental Europe, trading profit halved to £10m, though soft drinks performed better in France. In the Americas, trading profit rose 56 per cent to £40m on gains by beverages and the first full year contribution from Aguas Minerales in Mexico.

Pacific Rim trading profits rose 24 per cent to £31.3m. Results from Africa rose 39 per cent to £94.5m.

Earnings grew to 12.4p per share (from 10.26p) and the interim dividend is raised to 3.6p from 3.3p.

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CBOT to reconsider bund future

By Tracy Corrigan in Bürgenstock, Switzerland

THE CHICAGO Board of Trade, one of the partners in Globex, the global electronic trading system, is prepared to reconsider its position on retaining sole rights to trade bund futures on the system, CBOT chairman Mr Pat Arbor said yesterday.

Last month, the London International Financial Futures and Options Exchange (Liffe) pulled out of negotiations to join Globex when the CBOT insisted on its exclusive rights. Reuter and the Chicago Mercantile Exchange, the CBOT's two Globex partners, subsequently blamed the CBOT for Liffe's withdrawal.

Mr Arbor said the Swiss Commodities Futures and Options Association's annual meeting in Bürgenstock, Switzerland: "You might view this as an invitation to reopen negotiations."

However, he also insisted that there had been no fundamental change in the CBOT's position and emphasised that two other issues – the governance of Globex and the length of any contract between Globex and Liffe – would have to be resolved first.

On this matter there seems to be a difference of opinion between Mr Arbor and Mr Jack Sandner, chairman of both the CME and Globex. Mr Sandner said the main stumbling block to an agreement with Liffe was the bund contract issue. Liffe officials have expressed the same view, saying that progress has been made on the other issues.

Mr Arbor said the length of Liffe's commitment was a crucial issue. France's Matif, the only exchange to have joined Globex since its launch over a year ago, agreed to a 12½-year commitment, while Liffe was asking for just a 1½-year contract, he said.

Nevertheless, Mr Arbor seemed to be adopting a more positive stance, saying "it's my feeling that we would be favourably disposed to giving up exclusivity" if the other issues were resolved.

The bund future is Liffe's second most actively traded contract but is not yet listed on the CBOT. Globex officials said there were currently no negotiations with other exchanges, although they hoped to hold discussions with Japanese exchanges once Globex terminals were in place in Japan.

BTR cautious on UK recovery

By Andrew Bolger

SHARES in BTR lost 17½p to 381½p yesterday after the UK industrial conglomerate expressed caution about the strength of its markets in the second half of the year.

The shares fell even although BTR announced a 10 per cent increase in pre-tax profits, a disposal worth up to £165m ($254.1m) and an enhanced scrip dividend.

Mr Alan Jackson, BTR chief executive, said: "Despite the pronouncements of governments and economic forecasters, the outlook remains uncertain for any economic recovery in the second half."

BTR said evidence that the UK recovery was translating into significant increases in profitability was still inconclusive. The recovery in the US, so marked in the last quarter of 1992, had not maintained the same momentum in the first half of this year, although a number of subsidiaries had improved their performance.

Some of its businesses had been severely affected by the rapid deterioration of the leading European economies in the first half – particularly those serving the German automotive industry. Even with the loosening of the exchange rate mechanism, recession in continental Europe would remain a sensitivity into 1994.

BTR's pre-tax profits increased to £602m from £548m in the six months to June 30. Sales were 13 per cent higher at £4.87bn. Gearing is down to 61 from 79 per cent.

The group said the results demonstrated its ability to prosper in unfavourable trading conditions. Robust performance from other parts of the world had helped compensate for difficulties in Europe. Profits continued to improve from Hawker Siddeley, the engineering group BTR bought for £1.55bn at the end of 1991.

The group has agreed to sell Newey & Eyre Group, a Birmingham-based electrical distribution group, for up to £165m to Hagemeyer, a Dutch-based trading house.

Newey & Eyre, which has 200 branches and 2,800 employees in the UK and Ireland, had sales of £355m in 1992 and net assets of £50m. Initial payment will be £110m, with provision for up to £55m more, depending on performance targets in 1994 and 1995.

Fully diluted earnings per share rose by 4 per cent to 10.5p from 10.1p. The declared interim dividend was increased by 6.5 per cent to 4.95p from 4.65p. BTR is offering an enhanced scrip alternative worth 7.425p, a 50 per cent enhancement. BZW will pay a minimum cash alternative of 7.2765p.

Disposal details, Page 27; Lex, Page 18

Long-term investors to get 30% of BNP

By Alice Rawsthorn in Paris

THE FRENCH government plans to reserve 30 per cent of the shares in Banque Nationale de Paris, one of France's largest banks, for long-term investors when the bank is privatised later this month.

Union des Assurances de Paris, the powerful insurance group which is scheduled for sale to the public later in the privatisation drive, will take around 15 per cent of BNP's equity. UAP presently holds 10 per cent of BNP which, in turn, plans to take a 20 per cent stake in the insurer after its privatisation.

A number of other long-term investors, or *noyaux durs* shareholders, will take smaller minority stakes of between 0.5 per cent and 2.5 per cent. These investors will have to agree to hold their stakes for at least three years.

The French government has long made it clear that it plans to encourage long-term shareholders to participate in the privatisation programme, thereby helping to protect the former state-controlled companies from the rigours of the private sector.

The *noyaux durs* are intended to form strategic alliances with the privatised companies and to ward off the threat of hostile takeovers. Société Générale, another French bank, mobilised its *noyaux durs* to protect it against a late 1980s raid by Mr Georges Pébereau, the French financier who is the brother of Mr Michel Pébereau, the BNP chairman.

BNP, one of the biggest banks in Europe which recently disclosed net profits of FFr552m ($97m) on net banking income of FFr21.23bn for the first half of this year, will be the first candidate for sale in the current French government's privatisation drive.

The structure of the BNP issue should offer an important indication as to the government's approach to future share sales. The final details of the issue are expected to be announced before the end of this month.

Brussels set to clear ASLK-CGER acquisition

By Andrew Hill in Brussels

THE BELGIAN government is likely to clear the way today for Fortis, the Dutch-Belgian financial services group, to buy a majority stake in ASLK-CGER, the state-owned savings and insurance group.

The government hopes to raise BFr35bn ($992m) with the sale of shares in ASLK-CGER, which has a national network of banking and insurance branches. It is the first candidate for sale in a four-year privatisation programme which will help cut Belgium's large budget deficit.

At their regular cabinet meeting today, ministers should approve the change in legislation which will allow Fortis to acquire a majority of the group.

A finance ministry spokeswoman said Fortis was likely to buy the shares in a number of tranches, but would reveal neither the price – which is still under negotiation – nor the timetable.

Meanwhile, Fortis, which groups the activities of AG of Belgium and Amev of the Netherlands, reported a 20 per cent rise in first-half net profit to Ecu226.7m ($194m), compared with Ecu188.5m in the same period of 1992.

Total revenues grew by 10 per cent, from Ecu4.28bn to Ecu4.7bn, on strong increases in income from life insurance and banking, particularly in the Netherlands. Fortis said it expected operating results and net profits for the whole of 1993 to surpass the 1992 figure.

The company also benefited from a strong increase in capital gains – from Ecu50.6m to Ecu93.8m – boosted by profits from the sale of most of its 14.7 per cent stake in Générale de Banque, Belgium's largest bank. That sale, and a number of smaller disposals, have left Fortis well placed to buy into ASLK-CGER.

Fortis was reluctant yesterday about the ASLK-CGER deal. A spokeswoman pointed out that since the end of July the Dutch-Belgian company has had exclusive rights to negotiate with the savings bank. That privilege lasts until October 15.

Générale de Banque complained earlier this week that the Belgian government had missed a great opportunity to regenerate interest in the Brussels bourse by rejecting its proposal to mastermind a British-style public offer of shares in ASLK-CGER.

Enso to dispose of Italian unit

By Christopher Brown-Humes in Stockholm

ENSO-GUTZEIT, the Finnish pulp and paper group, has agreed to sell an 81 per cent stake in its Italian-based packaging company Tambox CCC to the Dutch group Esswell Packaging.

Enso declined to reveal the terms of the deal but it said that the sale of the loss-making operation would not affect its 1993 results.

The company only acquired the subsidiary in April this year, as part of its purchase of Tampella Forest and Tambox Europe.

Tambox CCC operates three paperboard mills and three corrugated box plants in Italy, with net 1992 sales amounting to FM400m ($69.8m).

Enso said that it wished to sell the unit because it did not fit geographically with its other corrugated box manufacturing operations in Sweden and Finland.

The company is to retain a 19 per cent stake in the subsidiary to reflect its role as a leading raw material supplier to the European corrugating industry.

Esswell Packaging is the holding company for a privately-owned group of corrugated box companies in Spain, France, the Netherlands and Germany.

BT in plan to buy into Megared

By Tom Burns in Madrid

BRITISH Telecommunications is poised to break into the internal Spanish data transmission market, loosening the grip on the sector held by Telefonica, the Spanish government controlled group, through a surprise agreement with Banco Santander, the big domestic financial institution.

The British telecoms group, which opened a representative office in Spain four years ago, is negotiating the acquisition of up to 50 per cent of Megared, a potentially powerful data transmission company created by Santander in 1989 to serve the banking group's extensive network. Megared has been under-utilised and is seeking to build up its business through attracting outside clients.

An agreement on the acquisition is expected as early as next week and it will include the allocation of licences to operate privately-owned data transmission companies within Spain which have been promised by the government in October.

The negotiations were fuelled by the government decision last June to deregulate data transmission services to meet the EC directives on the liberalisation of telecommunications. Santander's Megared and BT had independently applied for licences and the decision to unite in a joint venture was viewed by analysts as a highly convenient marriage of interests.

In a second deregulation phase, timed for January, the government is set to award licences to operate cellular telephones.

Under the liberalisation plans, up to 15 per cent of Telefonica's revenues are expected to face competition. Although voice transmission will remain in Telefonica's domain for the foreseeable future, the deregulation will affect the high growth and high margin areas of the telecommunications sector.

Plastics fall dents UCB profits

By Andrew Hill

THE DOWNTURN in the plastics sector and the aftermath of European currency turmoil held back first half profits at UCB, the Belgian chemicals company.

The group's pre-tax profits fell from BFr1.49bn ($42.49m) in the first half of last year, to BFr1.07bn. However, an exceptional gain of BFr988m, due mainly to profit on the sale of the group's Belgian chemicals subsidiary Vel, helped increase after tax profits to BFr1.75bn from BFr1.57bn.

The company said exceptional gains would help it to match 1992's record net profit of BFr2.25bn, but pre-tax earnings for the year would be lower than in 1992.

Mr Georges Jacobs, UCB chief executive, said devaluation of a number of European currencies had hit the group's sales, which slipped to BFr23.4bn from BFr24.6bn in the first half. He estimated that the effects of the currency turmoil might have reduced interim profits by some BFr100m.

Mr Jacobs also held out the hope that Zyrtec, UCB's successful anti-allergy drug, would win approval from the Food & Drug Administration for marketing in the US before the end of this year.

BAe offshoot in merger talks

By Ronald van de Krol in Amsterdam

BALLAST Nedam, the Dutch construction subsidiary of British Aerospace, is holding talks with Boskalis, another large Dutch construction company, to explore possible forms of co-operation, including a merger.

The companies said the talks, which have been going on for several weeks, are taking place in consultation with BAe.

A spokesman for Boskalis said it was too early to say what the conclusions of the talks might be. However, he added that potential co-operation could be far-reaching, with a merger among the possibilities.

The companies will not comment on the progress of the talks until they are completed.

Ballast Nedam's future has been uncertain for some time, partly because of BAe's own restructuring. In December, Ballast Nedam chairman, Mr Willem Maeyer, resigned after BAe decided against hiving off the company through either a buy-out or a bourse flotation.

Ballast Nedam, with annual turnover of Fl 2.2bn ($1.2bn), and Boskalis, with turnover of nearly Fl 1bn, described themselves as companies which "potentially complement and strengthen each other's market position".

Boskalis, a leading international dredging company and a specialist in marine construction, generates 80 per cent of its business outside the Netherlands. Ballast Nedam, traditionally strong in the Middle East, does about half of its business overseas.

Ballast Nedam's expertise in the Middle East – it built the causeway linking Saudi Arabia and Bahrain – was the main reason why BAe acquired the company in 1987.

Dutch food group ahead 7% despite sales decline

By Ronald van de Krol

BOLS WESSANEN, the Dutch food and beverages group created by a merger this year, reported a 7 per cent rise in net profit for the first half of the year, in spite of a slight decline in sales.

Net profit rose to Fl 119.6m ($64.6m) from a pro forma Fl 111.8m a year earlier, while sales dropped 4.8 per cent to Fl 2.5bn.

The sales decline was due mainly to divestments, which reduced turnover by a combined Fl 231m.

Another reason was a 7 per cent fall in sales in the beverages group, largely reflecting the lower value of the Italian lira.

Despite the sales drop, the beverages group raised operating profit 5 per cent to Fl 77.6m, representing the largest single contribution to Bols Wessanen's total operating profit of Fl 173m.

In the dairy group, which includes Leerdammer cheese and frozen yoghurt, sales were flat but operating profit also rose 5 per cent, to Fl 65.7m.

France reduces holding in Total

By John Ridding in Paris

THE FRENCH government yesterday reduced its stake in Total, the oil group, from 8.17 per cent to 5 per cent through a market placing at FFr296 a share.

The sale, which raised FFr2.06bn ($361m), was ordered by Mr Edmond Alphandéry, the economy minister, who has said that the state regards a 5 per cent holding in the oil company as its desired level.

The stake had increased to 8.17 per cent over the past year through the conversion of preferential subordinated notes.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.11	20.52	23.53
0100	18.11	20.40	23.42
0130	18.11	20.40	23.42
0200	18.11	18.84	21.78
0230	18.11	18.84	21.78
0300	18.11	18.84	21.79
0330	18.11	18.84	21.79
0400	18.11	18.84	21.79
0430	18.11	18.84	21.79
0500	18.11	20.40	23.43
0530	18.10	18.04	18.04
0600	18.10	18.03	18.03
0630	18.11	18.01	18.01
0700	20.74	18.15	18.15
0730	23.57	25.92	28.12
0800	28.11	24.89	28.02
0830	28.15	25.93	28.96
0900	28.59	25.93	28.94
0930	28.94	29.80	32.96
1000	29.18	29.81	32.98
1030	29.32	29.80	32.96
1100	30.30	27.99	31.03
1130	32.53	27.88	31.04
1200	32.63	29.80	32.96
1230	32.30	29.80	32.96
1300	31.99	28.50	31.58
1330	27.36	27.85	30.98
1400	26.12	26.32	29.30
1430	25.17	26.32	29.30
1500	25.45	26.32	29.30
1530	25.23	26.32	29.30
1600	25.33	25.17	28.12
1630	25.15	25.17	28.12
1700	31.02	26.32	29.30
1730	31.02	26.32	29.30
1800	31.01	26.32	29.30
1830	25.43	25.17	28.12
1900	24.59	25.17	28.13
1930	24.59	25.17	28.15
2000	31.27	18.24	18.24
2030	42.00	18.24	18.24
2100	42.00	25.17	28.15
2130	31.27	35.04	38.37
2200	24.58	35.04	38.39
2230	23.79	35.04	38.42
2300	29.41	35.04	38.45
2330	20.81	22.22	25.11
2400	20.81	20.80	23.65

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible] ©Energy Settlements and Information Services Limited

CS First Boston fills top spot in senior reshuffle

By Patrick Harverson in New York

CS FIRST BOSTON, the global investment banking group, has appointed Mr Allen Wheat to the post of president and chief operating officer vacated by Mr Archibald Cox. Mr Cox resigned after clashing with management over compensation levels for the firm's investment bankers.

Mr Wheat's appointment to the top job at CSFB was accompanied by several other management changes, and coincided with a decision to unify the firm's three geographic units – First Boston in New York, Credit Suisse-First Boston in Europe, and CS First Boston Pacific in Asia – under the single name of CS First Boston.

Mr Wheat, who will handle the day-to-day running of the firm and report to Mr John Hennessy, chief executive of CSFB, scotched speculation among some industry analysts that his appointment meant CSFB was shifting the emphasis of its business away from investment banking and towards trading in the capital markets. This was based on Mr Wheat's recent handling of the firm's highly-profitable derivatives unit.

Mr Wheat and Mr Hennessy said yesterday CSFB would continue to devote equal energy to capital markets, underwriting and mergers and acquisitions.

The unification of the group under a single name, meanwhile, was not unexpected. It comes three months after CSFB reorganised its businesses along product, rather than geographic, lines. That move marked an acceptance by senior executives and CSFB's parent, the Swiss financial group CS Holding, that business rivalries and personality clashes between the New York, London and Tokyo units had doomed the group's attempt to build a unique global investment banking franchise.

Tensions between the three units had contributed to the departure of Mr Wheat's predecessor. Mr Cox resigned in July after a string of top New York investment bankers left the firm over a row about compensation. The departed bankers were unhappy that their annual bonuses last year were low because of the poor performance of CSFB's European and Asian operations.

Mr Wheat said the firm's businesses in New York, London and Tokyo had all performed strongly so far this year. If the momentum was sustained, the improvement in earnings would be reflected in 1993 staff bonuses, he said.

Mr David Mulford, co-head of worldwide investment banking, and Mr Robert Diamond, head of fixed income and foreign exchange, were appointed vice-chairmen of CSFB.

Argentina pursues sale of privatised utilities

By John Barham in Buenos Aires

ARGENTINA intends to begin a new round of flotations of privatised companies in November with the sale of its minority stakes in two Buenos Aires electricity generators.

Mr Daniel Marx, the government's top financial negotiator, said yesterday the sale of 30 per cent stakes in the Costanera and Central Puerto power stations should raise about $100m for the government.

The announcement follows the successful $3.04bn international flotation in June of 45 per cent of YPF, the state-owned oil company. Mr Marx said the electricity flotations would open the way for the sale next year of minority government stakes in the larger gas transport and distribution companies.

The sale of three Buenos Aires electricity distribution companies and other generators would come later.

Central Puerto, with 1,009MW capacity, and Costanera, a 1,260MW station, were privatised in April and May last year. Chilgener of Chile paid $92.2m for 60 per cent of Central Puerto, and Endesa, also of Chile, paid $90.1m for 60 per cent of Costanera. Mr Marx said the two were "extremely well-run and we think are mature and can be floated without any problem".

He said these companies, given their relatively small size, would be aimed mainly at local investors. The flotation would be handled by local banks. The remaining 10 per cent equity will be held by company employees in a share ownership scheme.

Next year the government plans to sell its minority stakes in 10 gas transport and distribution companies carved out of the former state-owned gas monopoly.

Gas del Estado was privatised last December in a $3.99bn cash and debt-for-equity swap for stakes ranging from 60 to 90 per cent.

Mr Marx said the sale of government stakes in the electricity distribution companies would come last.

Perrier helps boost Nestlé sales

By Ian Rodger in Zurich

NESTLE, the world's largest foods and mineral waters group, said its first-half net income rose 6 per cent, to SFr1.25bn ($893m), on sales of SFr27.45bn, up 4.4 per cent.

In view of the recession in Europe and the devaluation of a number of European currencies, the result was "satisfactory," it said.

It also confirmed its forecast from July that sales volume would pick up in the second half, and that profits for the year would show "a satisfactory rise".

Although volume in the first half grew 5.5 per cent, all but 1 per cent of it came from the acquisition of the Source Perrier mineral water business.

This "momentary" weak internal growth was attributed to lower consumer spending in Europe. Volume in North America was up slightly, and "very appreciably" in eastern Asia and Latin America.

Trading profit was up 4.9 per cent, to SFr2.69bn.

Net financing costs jumped to SFr434m in the first half, from SFr307m in the comparable period, reflecting the cost of the Perrier acquisition.

Net borrowings rose to SFr10.4bn at the end of the period, compared with SFr8.9bn a year earlier, prior to the acquisition. However, in July, the group collected SFr1.2bn in proceeds from its spring rights issue.

In its letter to shareholders, Nestlé said the recent alarm in financial circles about the value of branded food products arising from the marketing problems of Marlboro cigarettes was unwarranted.

The company "remains convinced that the major brands guarantee a superior and a recognised quality, assured by a major commitment to research and development".

The group added that leading brands would therefore "continue to be a fundamental asset".

Blow to Lorenzo airline plan

By Martin Dickson in New York

A JUDGE has dealt a serious blow to plans by Mr Frank Lorenzo, the controversial former head of Continental Airlines, to start up a new low-cost airline serving the US east coast.

The administrative law judge, charged with deciding Mr Lorenzo's fitness to run an airline, said that while his company, ATX, had the financial backing and management skills required, it lacked the "proper compliance disposition".

The judge's view, which could be overturned by the Department of Transportation, was welcomed by two airline unions, the Airline Pilots' Association and the International Association of Machinists, which have campaigned against Mr Lorenzo's return to the airline business.

Mr Lorenzo, who stepped down from active airline management in 1990, was the industry's most controversial figure in the 1980s. As head of Continental and Eastern Airlines he fought a succession of bitter battles with labour unions. After his departure, Eastern Airlines went into liquidation and Continental into bankruptcy proceedings, from which it recently emerged.

The judge said ATX had shown a pattern of "disobeying orders and filing frivolous and vexatious pleadings" during his proceedings.

"It certainly cannot be trusted to comply with federal law regulating the transportation of passengers and cargo in scheduled air service," he said.

ATX said it was confident the decision would be overturned.

Asian deal for Canada mine groups

By Robert Gibbens in Montreal

CAMECO and Uranerz, Canada's biggest uranium producers, have signed a joint 10-year marketing and technical development agreement with Katep, the uranium producer controlled by the Republic of Kazakhstan.

As a first step, the Canadian companies will invest US$3m in Katep's uranium facilities to improve efficiency, safety and environmental performance. Acting as agents, they will help Katep sell its uranium concentrates on long-term contract to world customers.

Katep has considerable uranium ore and also extensive in situ leachable resources. Cameco produced 5,200 tonnes of uranium oxide last year, and German-owned Uranerz 2,600 tonnes.

Their mines are in northern Saskatchewan. Their capacity, plus Katep's, represent 30 per cent of world production.

Cameco, now 51.5 per cent held by the public, is carrying out a feasibility study of the Kumtor gold deposit in Kyrgyzstan, another former Asian republic of the old Soviet Union.

● Cominco reached agreement with 2,000 members of the United Steelworkers at its lead-zinc operations in Trail, British Columbia. It covers job flexibility and security, contracting out and job cuts through attrition.

Record term for Campbell Soup

By Frank McGurty in New York

CAMPBELL Soup, the US food products group, said yesterday it had achieved record earnings and sales in the fourth quarter, buoyed by a strong contribution from overseas markets. Earnings and revenues for the full year also reached record levels for the fourth consecutive time.

The results highlight Campbell's recent efforts to reorganise its global operations, as well as its renewed emphasis on its core soup, biscuits and bakery businesses.

Net earnings in the quarter to August 1 were 11 per cent higher at $122m, or 48 cents a share, up from $109m, or 44 cents, in the corresponding period of 1992. Revenues in the period, which contained an additional week, rose 7 per cent from $1.4bn to $1.5bn.

Before the cumulative effect of accounting changes, earnings in the 1993 quarter were 15 per cent up.

For the full year, net earnings before special charges rose to $574m, or $2.28 a share, nearly 17 per cent higher than in the 1992 period.

Sales rose by a less robust 5 per cent from $6.3bn to $6.6bn.

Mr David Johnson, president and chief executive, attributed earnings growth to the 3 per cent global sales increase in the group's flagship soup business, coupled with a 31 per cent profits increase from its overseas businesses.

However, the results from non-US operations were exaggerated by the group's acquisition in February of a 58 per cent controlling stake in Arnott's, the Australian biscuits business, after a bitter takeover battle. Arnott's contribution was included in the third and fourth quarters.

Earnings at Anglovaal advance 19%

By Philip Gawith in Johannesburg

LOWER interest and tax charges and an increased contribution from associates helped Anglovaal Industries lift earnings per share by 19 per cent, to 1,083 cents from 907 cents, in the year to June.

The dividend was increased by 18 per cent, to 195 cents from 165 cents per share. The group made attributable profits of R343.7m ($101.1m) against R270.6m last time, on a turnover of R8.3bn, up from R7.96bn.

The results are much better than those of most other South African industrial companies, and come against the background of an economy still struggling to emerge from severe recession.

Canon bid for Rentsch fuels Swiss takeover row

By Ian Rodger

CANON has become the latest bidder to take advantage of the absence of effective Swiss takeover regulations.

The large Japanese office equipment group has agreed to purchase the controlling 50.7 per cent stake in Walter Rentsch, a quoted Swiss office equipment distributor and retailer, from Mr Hubert Looser. Terms have not yet been finalised. However, no offer is being made to minority shareholders.

This is the fourth such case in three years of minority shareholders of Swiss companies being ignored or offered inferior terms in takeover bids. The others were the Philip Morris takeover of confectionery group Jacobs Suchard in 1990; the purchase by Mr August von Fink in 1992 of the controlling stake in the hotel group Mövenpick; and the takeover of the controlling holding in Kardex last year by Industrieholding Cham.

Each case has provoked criticism in Swiss stock market circles, and new legislation to eliminate discrimination against minority shareholders is being considered.

Mr H. J. Scheffer, manager of EC affairs for Canon Europe in Amsterdam, said the company's move was "in line with Swiss practice".

One analyst suggested a possible conflict of interest in that Canon products accounted for up to 70 per cent of Rentsch sales. The Japanese group might in the future arrange transfer pricing of its products to the detriment of the Swiss company's profits, he said.

Chief job likely to head Kodak agenda

By Martin Dickson

THE search for a new chief executive is expected to top the agenda today when the board of Eastman Kodak, the US photographic products group, holds a regular meeting.

Kodak has been looking for a new leader since August, when it announced that Mr Kay Whitmore, the chairman, would be stepping down at the board's request.

Names touted on Wall Street as possible candidates include Mr John Sculley, chairman of Apple Computer; Mr Richard Braddock, a Kodak non-executive board member who is chief executive of Medco Containment Services; and Mr Phillip Samper, a former Kodak executive who left the company three years ago after losing out to Mr Whitmore for the chairman's job.

However, there are no signs that the company is close to a final decision, or has yet drawn up a definitive short-list of candidates.

SIA to take 10% stake in Chinese repair plant

By Kieran Cooke in Kuala Lumpur

SINGAPORE Airlines is to take a 10 per cent stake in a new aircraft maintenance and repair facility being built in the city of Xiamen, on the coast of China.

Other partners in the project are Hong Kong Aircraft Engineering Co, the Hong Kong carrier Cathay Pacific, Japan Airlines and two Chinese state controlled corporations. SIA's stake is believed to be worth just over $6m.

SIA has developed its own aircraft maintenance and repair facilities in recent years but now the carrier, like the other airlines involved in the Xiamen project, is faced with spiralling land costs and acute labour shortages.

Construction work at the Xiamen site has already begun and the facility is due to be completed by 1996. Haeco, ultimately controlled by the Swire Group of Hong Kong, will have a 41 per cent shareholding in the Xiamen project.

Airline industry analysts expect the Xiamen project to succeed, given the rapid expansion of the airline business in the Asia Pacific, particularly in China.

Malaysian bank turns in 90% improvement

BANK Bumiputra, Malaysia's second biggest bank, reports pre-tax profits of M$80.6m ($32m) for the year ended March, writes Kieran Cooke. The result represents a rise of nearly 90 per cent on last year. Bank Bumiputra has assets of M$35bn.

The bank, set up in the mid-1960s to help the bumiputras, or Malays, who make up about 50 per cent of Malaysia's population, has been plagued by scandal. Twice in the past 10 years the state has had to step in to rescue it.

The bank increased its provision for bad loans to M$156m from M$147m in the previous financial year.

S China Morning Post trading stays suspended

By Simon Davies in Hong Kong

SHARE trading in South China Morning Post, Hong Kong's leading English language newspaper, remained suspended for the fifth consecutive day, despite the expectation that Mr Rupert Murdoch's News Corporation has secured a buyer for its 50 per cent stake.

News Corp announced last Friday that it was negotiating the sale of its stake. For the past three days, announcements from News Corp have been cancelled, encouraging speculation that there has been a hitch in the deal, or that a counter-offer has been received.

The stock exchange said that the suspension would not be lifted on SCMP shares until News Corp made an announcement that gave sufficient information about the deal so that informed trading in the shares could resume.

It is widely expected in Hong Kong that the News Corp stake will be purchased by a consortium led by Malaysian tycoon Mr Robert Kuok. At the same time, Singapore's Straits Press group is tipped to take on a management role in the Hong Kong newspaper.

Mr Kuok has no newspaper expertise, while Straits Press, which already owns 5 per cent of the SCMP, has made no secret of its desire to become the leading newspaper publisher in South East Asia. The Singaporean United Overseas Bank holds a further 9 per cent stake in SCMP.

Crédit Lyonnais sets up commodities arm

By Deborah Hargreaves

CREDIT LYONNAIS, the French investment bank, has formed a new derivatives arm to concentrate on over-the-counter commodities products.

Crédit Lyonnais Rouse Derivatives will extend the company's existing commodity swaps and hedging arrangements into structured finance deals.

Mr Chris Mason, managing director, said: "Now almost all of our business is in traditional corporate hedging. In five years' time, I think we'll be earning 80 per cent of our income from these new financing deals."

The new group is looking to design tailor-made arrangements for corporate clients to hedge raw materials costs on a long-term basis. It offers companies a chance to hedge their exposure over several years and longer than is available on the world's futures exchanges.

Mr Mason believes the food sector offers good potential to expand its structured finance deals since hedging is so rare in the industry.

The new company is targeting users of coffee, sugar and cocoa as part of its marketing campaign. It has worked out hedges for six European consumers of orange juice over the past 18 months and recently signed up several Florida producers.

CLRD is working on a model for hedging the green pound – the currency in which agricultural producers are paid EC subsidies – for which Mr Mason sees great demand from many food companies.

More traditional areas in which CLRD hopes to make a big impact are airline financing, project financing for mining companies and aluminium leasing.

Mr Mason says the use of swap deals and swaptions to stabilise jet fuel costs can reduce the funding levels of an airline finance arrangement by 100 basis points or 1 per cent depending on the amount of leverage involved.

In addition, a hedging arrangement for the output of, say, a mining company, can be set in advance when funds are being put together for its development.

Mitsubishi to shrink finance division

By Emiko Terazono in Tokyo

MITSUBISHI Corporation, Japan's leading trading house, plans to shrink its finance division in a move away from zaiteku, the financial engineering popular among Japanese companies in the late 1980s.

The decision follows the company's bail-out earlier this year of MC Finance, a group finance subsidiary which suffered from mounting investment losses. In the late 1980s, financial investments became an important profit centre for many industrial companies, which later suffered heavy portfolio losses when the stock market turned sour.

MC Finance was created in 1986 to act as a banker for Mitsubishi subsidiaries and affiliates, borrowing at discount rates and passing on the savings to other group companies. MC Finance also turned to zaiteku, pouring funds into the stock market.

Along with MC Finance, the group aggressively invested in specified money trusts and fund trusts. Mitsubishi has been reducing its investment stocks, and its outstanding investments stand at around Y230bn($2.19bn).

Mitsubishi will disband its capital markets division, which had been the centre of group investment operations since 1986, and shift about 30 of its 159 capital markets staff to its corporate information division.

Earnings ahead at Thai banks

COMBINED net profits of 15 Thai commercial banks rose to Bt21.27bn ($846m) during the first half year, up from Bt14.26bn a year ago, Reuter reports from Bangkok.

According to Bangkok Bank, the earnings growth resulted from higher fee-based revenues and smaller provisions for bad loans. It said local banks focused more on fee-based services during the six months while combined bank lending rose 15.6 per cent.

Coles Myers advances over year

By Nikki Tait in Sydney

COLES Myers, the Australian retail group, yesterday reported an 8 per cent increase in operating profit to A$598.7m (US$394.1m), before abnormal items, for the year ended July 25.

After tax and abnormal items, the increase was slightly higher – up 11.1 per cent to A$411.8m. Sales, adjusted for the sale of the majority of Coles Myer's interest in Progressive Enterprises and Sandhurst Dairies, rose by 3.7 per cent to A$15.2bn.

On an unadjusted basis, sales were essentially flat.

The retailer said that it was pleased with the results, given the recessionary climate. The strongest performances came from the Kmart, Target and specialty group divisions.

Coles admitted that the profits from its supermarkets division were only "marginally" ahead of last year, but that performance here had strengthened in the second half of the year.

The Myer Grace Bros department stores, however, saw lower profits and weaker margins – a trend blamed on the "reduced levels of discretionary spending".

Coles said that sales for the year overall were steady, but that turnover had been disappointing in the final three months of the financial year.

Coles added that the "signs of economic recovery are still tentative" and conceded that the effect of this hesitant upturn on its own operations was "uneven".

However, it suggested that the previously-announced investment plan should help sustain future performance.

● Lend Lease, the financial services and property investment group, yesterday announced that it was buying the Yarmouth Group, a US-based asset management business.

Yarmouth has around A$10bn in gross property assets under management and manages client portfolios worth around A$6.5bn. Among its interests is the management of some 15 regional malls in the US, whose gross value is put at US$2bn-plus.

No price was announced for the acquisition, and Lend Lease said the consideration would be related to performance and payable over a five-year period.

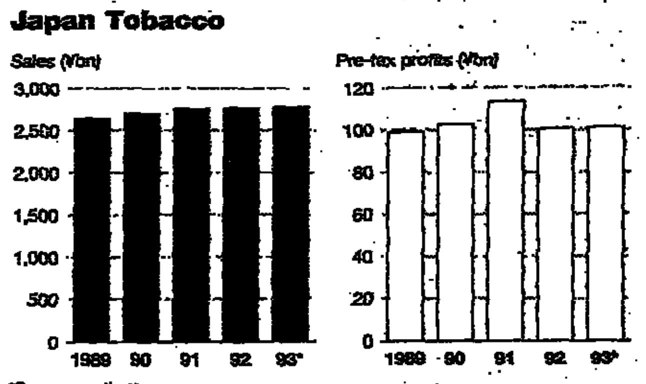
Brand new direction heralds flotation of Japan Tobacco

Emiko Terazono looks at the company's plans

JAPAN Tobacco, the government owned tobacco company set for privatisation early next year, is actively investing in new projects and introducing new cigarette brands ahead of the flotation.

The company, the third largest tobacco company in the world, controls 83 per cent of Japan's Y3,000bn ($28.4bn) domestic tobacco market. JT been restructuring its business since 1985 – when the market was opened to foreign competition – reducing the number of distribution outlets by 36 per cent to 174 and the number of staff by 20 per cent to 24,000.

Japan Tobacco



*Company estimates

Due partly to this rationalisation, its bank borrowings are low relative to other government-owned companies waiting to go public. Bank debt at JR East, the rail group about to be privatised, is more than 16 per cent of total assets: at JT the ratio is under 1 per cent.

The company's operations and decisions on pricing are less regulated than at JR East and Nippon Telegraph and Telephone, the semi-state owned telecom company.

Japan's cigarette market is very mature. Mr Shigeru Mizuno, JT president, says: "In terms of volume, the industry is declining." Industry sales for the 12 months ended March 1992 fell 0.5 per cent to 272.6bn cigarettes.

JT also faces growing competition from foreign tobacco companies, notably Philip Morris of the US which now hold 17 per cent of the market. Analysts predict that foreign companies will hold over 20 per cent of the market within the next few years.

The company's competitiveness is clearly hampered by regulations over the amount of home grown raw tobacco it has to buy in. In general, Japanese tobacco costs between and three times more than foreign grown tobacco. Japanese tobacco makes up around 50 per cent of JT's tobacco purchases.

JT is now looking to diversify. Mr Mizuno envisages growth in new business sectors such as foods, pharmaceuticals, agriculture and cigarette exports.

The company entered the non-alcoholic beverage and pharmaceuticals market in 1983, and started a hot-dog chain in 1989. Its lily bulb business and an electric power switch manufacturing operation are among its more recent ventures.

Exports account for less than 1 per cent of JT's total sales. It is targeting Asian cigarette markets, which unlike western markets, are still growing. Some 60 per cent of JT's overseas sales are in Asia.

Analysts feel that some of the new projects will be slow to contribute to JT's profits. Mr Eizo Uchikura, of Nomura Research Institute, says property could make a near term contribution but JT's drug operations are unlikely to make a return before the end of the decade.

Brierley up despite weak hotels side

By Terry Hall in Wellington

BRIERLEY Investments reports an 8 per cent increase in net profit to NZ$271.3m (US$149.8m) for the year ended June, despite continued weak trading by its UK hotels arm.

Mr Bob Matthew, chairman, said that the result was satisfactory given that around one-third of the parent company's total assets, its 70 per cent interest in the Mount Charlotte UK group, did little better than break even.

In the past two months, however, Mount Charlotte hotels had recorded a marked improvement in occupancies, and directors were confident the recovery was under way.

The New Zealand division recorded earnings of NZ$245m, up from NZ$154m. Earnings from Australia were NZ$57m, compared with a loss of NZ$33m last time. The newly created US arm, which had budgeted for a small profit, made a loss of NZ$11.6m.

Earnings from the UK were NZ$5m, down from NZ$116m last year when the Tozer Kemsley motor group, subsequently sold, was included. The major associates Air New Zealand and Carter Holt Harvey recorded good profits.

Earnings from New Zealand in the coming year would be boosted by the purchase of fishing group Sealord, although this would be offset from the loss of profits from interests in New Zealand companies that had been sold.

INTERNATIONAL CAPITAL MARKETS

European prices volatile after Bundesbank easing

By Conner Middelmann in London and Patrick Harverson in New York

EUROPEAN bonds were volatile after the Bundesbank's latest round of easing, which triggered rate cuts in France, the Netherlands, Austria, Italy and Belgium. After an initial jump on the news, most bond markets weakened during the afternoon.

"There was a feeling this was the last easing for a while," said Mr Andy Bevan, head of fixed-income research at Bear Stearns. He now expects most European markets to consolidate after their recent rallies.

GOVERNMENT BONDS

Traders were also disappointed by the Bundesbank's decision to set fixed-rate repos at 6.70 per cent, only 10 basis points below this week's level. This indicated that German rate declines will continue to be very gradual.

Still, "once the dust settles, people will realise we're back on the rate-cutting road," said Mr Carl Holt, head of trading at ABN-Amro. He expects yield curves across Europe to steepen as investors prepare for further easing in Germany, where inflation and money supply data are expected to improve in coming months.

The German bund future fell about ¼ point after the Bundesbank's announcement, then rose about ½ point. It finally closed slightly lower on the day.

The larger-than-expected half-point cut in key German rates initially put pressure on bond prices. But traders were soon heartened by the tiny repo-rate cut which indicated that the Bundesbank was not accelerating its easing process while inflation and money supply growth were still above target.

"Keeping the repo at 6.70 per cent was the best thing they could have done for the long end," said the head bund trader at a large Frankfurt bank. Still, he said that investors should take profits in 10-year bonds and move to shorter maturities which may offer greater gains. "Some time next year I expect the discount rate to be around 4 per cent, but long yields will probably still be around 6 per cent," he said.

■ FRENCH government bonds initially rallied on the German rate cut, but then dropped on disappointment over the extent of the French easing. By lowering its five to 10-day repo rate to 7¾ from 10 per cent but leaving its intervention rate unchanged at 6¾ per cent, the Bank of France "put us back at pre-ERM crisis levels, but no more," said a dealer. In the event, OATs recouped most of their losses to end little changed.

■ UK GILTS eased in line with other European markets, but rate speculation did not spill across the Channel. "What happens to continental rates in advance of November 30 is more or less irrelevant to UK rates," said Mr Kevin Adams, UK bond strategist at Barclays de Zoete Wedd. The UK budget for next year is due to be announced on that date.

Trading was quiet ahead of next week's raft of economic data and the forthcoming gilts auction, which is expected to be announced next Friday, traders said.

■ THREE days of surging US bond prices came to an end abruptly yesterday when rumours that Congress was considering taxing interest earned in the US by foreign investors prompted heavy selling at the long end.

By midday the benchmark 30-year government bond was down $1\frac{1}{16}$ at 104⅝, yielding 5.933 per cent. At the short end of the market, the two-year note was down ⅛ at $100\frac{1}{16}$, to yield 3.825 per cent.

After the market's strong three-day rally that followed the unexpectedly weak August employment report, no one was surprised yesterday morning when prices turned tail. Although what sparked the selling was mere speculation – that a Congressional committee is thinking of imposing a tax on foreign holdings of Treasury securities – the reports were enough of an excuse for dealers and investors to book some of the profits earned over the past week.

FT FIXED INTEREST INDICES

	Sep 9	Sep 8	Sep 7	Sep 6	Sep 3	Year ago	High *	Low *
Govt Secs (UK)	102.84	102.89	102.47	101.86	102.02	88.91	102.89	93.28
Fixed Interest	125.04	124.98	124.51	124.14	124.87	105.36	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Sep 8	Sep 7	Sep 6	Sep 3	Sep 2
Gilt Edged Bargains	130.2	85.4	91.1	128.7	135.8
5-Day average	116.2	138.6	154.5	154.8	146.2

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.1518	-0.572	6.69	6.88	6.80
BELGIUM		9.000	03/03	112.1000	-0.100	7.20	7.30	7.09
CANADA *		7.500	12/03	105.8100	-0.390	6.70	6.72	6.93
DENMARK		8.000	05/03	108.1300	-0.270	6.82	6.70	6.78
FRANCE	BTAN	5.750	11/98	100.6095	+0.068	5.63	5.65	5.76
	OAT	6.750	10/03	104.4300	-0.010	6.14	6.15	6.37
GERMANY		6.500	07/03	102.5550	-0.110	6.15	6.16	6.35
ITALY		11.500	03/03	112.5000	-	9.70†	9.67	10.35
JAPAN	No 119	4.800	06/99	108.1738	+0.150	3.52	3.61	3.82
	No 157	4.500	06/03	103.5152	+0.328	4.00	4.13	4.14
NETHERLANDS		7.000	02/03	106.6700	-0.260	6.04	6.04	6.18
SPAIN		10.900	08/03	111.8500	-0.200	9.08	8.89	9.88
UK GILTS		7.250	03/98	103-23	-2/32	6.30	6.31	6.38
		8.000	06/03	108-12	-8/32	6.81	6.86	7.02
		9.000	10/08	116-29	-3/32	7.15	7.24	7.46
US TREASURY *		5.750	08/03	103-19	-16/32	5.28	5.42	5.79
		6.250	08/23	104-15	-6/32	5.93	6.07	6.45
ECU (French Govt)		8.000	04/03	109.7500	-0.100	6.59	6.65	6.99

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Dollar sector holds stage with $600m Amexco offer

By Antonia Sharpe

ISSUANCE in the international bond market picked up yesterday as borrowers felt it was safe to return now that the World Bank's $1.25bn global offering was out of the way.

The dollar sector remained the most active, as American Express raised $600m through an offering of seven-year global bonds. The bonds, which are backed by charge card debt, were priced to yield 38 basis points over the yield on the 8¾ per cent US Treasury due 2000, at the lower end of the indicated range.

Lead manager Lehman Brothers, a subsidiary of American Express, said that just under one-third of the offering was placed outside the US. American Express raised $1bn through a similar offering last year.

Hydro-Quebec raised $200m through an offering of 12-year collared floating rate notes and its rarity value in this market helped it to beat its funding target by several basis points.

Most of the FRN offerings have been made by banks seeking to raise subordinated debt. By contrast, Hydro-Quebec is the first provincial agency in several months to issue senior notes in the FRN market.

Elsewhere, the Province of Ontario and the World Bank provided badly-needed liquidity in the Canadian dollar sector. Syndicate managers said there was strong demand from investors for Canadian dollar paper because of the favourable outlook for the currency.

INTERNATIONAL BONDS

There have been few Canadian dollar deals in recent weeks and spreads on outstanding issues have tightened considerably as a result. For example, the spread on British Colombia's C$400m 12-year offering has dropped to 42 basis points from its spread at launch on August 31 of 50 basis points over the 7½ per cent Canadian Treasury due 2003.

Ontario's C$500m offering of 12-year Eurobonds was priced to yield 63 basis points over 10-year Canadian Treasuries, which matched the yield on the borrower's 10-year global bonds.

The World Bank's C$200m five-year offering was seen to be tightly priced, at a yield spread of 10 basis points over the yield on the 6¼ per cent Canadian Treasury due 1998.

However, demand was such that the bonds sold out quickly and the spread tightened to less than nine basis points in the afternoon. The World Bank is thought to have swapped the proceeds into D-Marks.

In the Eurosterling sector, Barclays Bank raised £100m through an issue of fixed-rate perpetual Eurobonds. Barclays hopes to tap the current demand among UK retail investors for high-yielding paper by providing them with an option to take the bonds in registered form. In general, UK retail investors are reluctant to buy bearer bonds.

The bonds were priced to yield 155 basis points over the yield on the 8¾ per cent UK government bond due 2017, a spread of five basis points over Halifax Building Society's £100m issue of permanent interest bearing shares which came earlier this week.

Lead manager BZW said there was a finite demand for this sort of product and Sun Alliance's recent announcement that it intended to launch a £300m undated preference share issue might deter other borrowers from tapping this area of the market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Amex Master Trust 1993/1(a)	500	5.375#	99.854R	Sep.2000	0.45R	+38 (8¾%-00)	Lehman Brothers Intl.
Westpac Banking Corp.‡	350	(b)	99.95R	Oct.1995	0.125R	-	Salomon Brothers Intl.
Hydro-Quebec‡	200	(c)	99.75R	Oct.2005	0.5R	-	Kidder Peabody Intl.
Banespa(Grd. Cay. Branch)(d)	150	9.25#	99.94R	Oct.1996	1.0R	-	CSFB
BNL (Hong Kong Branch)(e)‡	50	(e)	100.15R	Oct.2003	0.5R	-	Morgan Stanley Intl.
Toyota Motor Credit Corp.(f)	50	5	100	Sep.1995	-	-	CSFB
STERLING							
Barclays Bank(g)	100	9	100.458R	undated	0.75R	+155(8¾%-17)	Barclays de Zoete Wedd
FRENCH FRANCS							
Crédit Foncier de France(h)	500	8.375	114.51	Feb.2007	undiscl.	+18 (8½%-08)	CCBP
YEN							
Peoples Republic of China	30bn	4.375	100R	Sep.1998	0.25R	-	Nomura International
CANADIAN DOLLARS							
Province of Ontario	500	7.25	98.50R	Sep.2005	0.35R	+63 (7½%-03)	Wood Gundy
Wood Gundy	200	6.25	99.82R	Oct.1998	0.25R	+10 (6¼%-98)	Daiwa Europe/ Sanwa Intl.
SWISS FRANCS							
Oekofonds	500	4.375	102.25	Nov.2005	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Class A notes. Global issue. Short 1st coupon. b) Coupon pays 6-month Libor + 0.1%. c) Coupon pays 6-month Libor - 0.25%; minimum 5%, maximum 8%. d) Puttable in the event of the State of Sao Paolo owning less than 51% of the issuer. e) Issue launched on 2/9/93 was increased to $150m. Coupon pays 6-month Libor - 0.1875%, minimum 5.75%, maximum 10%. f) Redemption amount = 100% + (15 x (5.70% - 3yr D-Mark offer swap rate), paid in $. g) Callable at the higher of a level yield to gilts or par and from 11/10/2023 at par. h) Fungible with the outstanding FFr3bn. Plus 237 days accrued interest.

Austria's new issue market springs to life

By Ian Rodger in Zurich

THE Austrian new issue market, long moribund because of deeply depressed share prices, has found a new lease of life in the past few weeks.

Since late June, new primary and secondary equity issues raising more than Sch3.7bn ($325.15m) have been launched, almost as much as in the whole of last year. And there are many more in the pipeline.

The main reason for this surge of activity is the sharp recovery of the Austrian stock market. Since a low point in January, the ATX index of 19 leading shares has jumped by some 40 per cent.

More importantly, volume has increased substantially since June, when international institutional investors began to increase their weightings on the Austrian market.

The biggest rights issues so far have been a Sch695m call in late June from Maculan, the construction group that has acquired a clutch of companies in eastern Germany, and a pair of issues worth a combined Sch1.9bn, which were announced by Brau Beteiligungs and its Brau Union subsidiary last month.

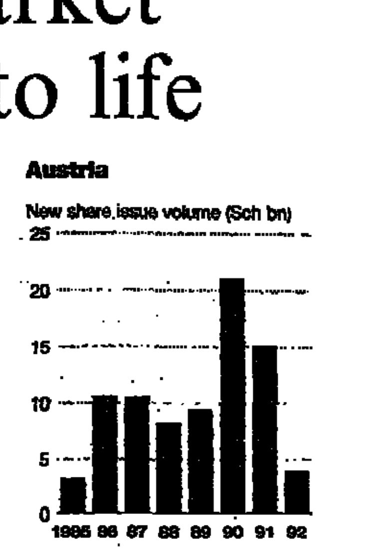
The province of Burgenland has said it planned to float its 30 per cent stake in electricity and gas utility Burgenland Holding to raise an expected Sch300m. Leading food retailer Julius Meinl International announced a one-for-two rights issue to raise Sch188m.

Analysts say the increased flow of cash calls reflects pent-up demand from the long period when the stock market was too weak to absorb new issues. "Companies have not been able to raise new equity for two years," said Karl Kaniak, a director of Bank Austria Investment Bank.

Mr Marko Musulin, director of securities and investment banking at Creditanstalt-Bankverein, adds that many companies need new funds, either to take advantage of one-off opportunities to expand in central and eastern Europe or to promote new products developed in the past couple of years. "The problem is that their profits are not in good shape because of the recession, so they have to recapitalise," Mr Musulin says.

Austria

New share issue volume (Sch bn)



Source: Bank Austria Investment Bank

A good example is Lenzing, the world leader in viscose fibre production. The group has crippled its balance sheet and its profits by investing in pollution control equipment in the past three years, and now needs new funds to promote a viscose fibre it has developed to compete with cotton.

Meanwhile, the privatisation trend is still in the ascendant, as the government looks for ways to ease a budget deficit bloated by recession.

In June, the troubled state owned Austrian Industries floated 74 per cent of Austria Mikro Systeme, a maker of specialised integrated circuits, raising Sch620m. Last month, the government said it would reduce its stake in partially privatised Flughafen Wien, the company that operates Vienna's airport, from 36.5 per cent to 25 per cent.

Meanwhile, speculation continues that the government will soon sell off some of its controlling holding in Creditanstalt. The bank's shares have been among Austria's best performers this year.

Austrian bankers expect the flow of new issues to continue well into next year, provided that the sell-off in the market this week does not lead to another slump.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on September 9

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Abbey Natl Treasury 6½ 03	1000	104¼	104½	-⅛	5.91
Alberta Province 9⅜ 95	500	110	110⅜	-¼	4.35
Austria 8½ 00	400	117⅛	117½	-⅛	5.26
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	99⅛	100⅛		8.01
Gantinance Lux 9⅛ 99 LFr	1000	107¼	110½		7.47
World Bank 8 96 LFr	1000	101	102		7.54
[illegible]					

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	16	57	5
Other Fixed Interest	0	6	9
Commercial, Industrial	310	238	871
Financial & Property	161	156	504
Oil & Gas	14	29	38
Plantations	0	1	7
Mines	37	43	55
Others	23	64	35
Totals	561	594	1,524

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	102	94	Anglian Water Wts	100½	+2½	-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
17	Nil	29/9	1½pm	1¼pm	Albrighton	1¼pm	
21	Nil	22/9	16pm	11pm	Arlen	16pm	
Ir280	Nil	28/10	31pm	27pm	CRH	27pm	
98	Nil	12/10	8½pm	2pm	Crockfords	2½pm	-1½
125	Nil	22/9	30pm	20pm	Lilleshall	20pm	-3
130	Nil	25/10	18pm	8pm	Rolls Royce	16½pm	-½
19	Nil	12/10	3pm	½pm	Unibond	¾pm	-¼
88	Nil	13/10	13pm	10pm	Wickes	10pm	

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Aug. 23
- Last Dealings Sept. 10
- Last Declarations Nov. 25
- For settlement Dec. 6

3-month call rate indications are shown in Saturday editions.

Calls: Aminex, Caverdale, Ex-Lands, Harmony Group, HTV, IBC, Marshalls, Monument Oil & Gas, Proteus, Sleepy Kids, Stonehill, TI Group and Waverley. Puts & Calls: Betterware and Cannon St. Inv.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	550	54½	63	71	5	12½	16
(*596)	600	21½	31	41	19½	33	36½
[illegible]							

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero	420	39	57½	65½	25	39	47½
(*430)	460	20	36	48	49	52½	70
[illegible]							
Abbey Natl	390	15	30	38	1½	11½	19
(*401)	420	1½	14½	20	20	27	35
Amstrad	35	4½	7	8½	1	2½	3½
(*39)	40	1½	4½	6	2½	5	6
Barclays	500	8	28½	41	5½	18½	29½
(*502)	550	1	9	18	50	52½	59½
Blue Circle	280	7½	19½	28½	3½	18½	22½
(*283)	300	1½	11	19	19	29	34
British Gas	300	31	34	38	1	5	8
(*329)	330	4	12½	20	4	16½	20½
Dixons	220	13	24½	30½	2	11	16½
(*230)	240	2½	14½	20½	13	21	26½

Option		Calls Oct	Calls Feb	Calls May	Puts Oct	Puts Feb	Puts May
Zeneca	700	36	63½	84	9	31½	44½
(*738)	750	5	37½	57½	25½	58½	69½
Grand Met	420	23	34	41	9	22	26
(*426)	460	6½	15½	23	34	45½	45½
Ladbroke	200	10½	18½	21½	11	17	22½
(*203)	220	3½	11	13½	26	30	35½
Utd Biscuits	360	22	33½	37	11½	20½	29
(*371)	390	7½	20½	23½	30½	37½	46½

Option		Calls Oct	Calls Dec	Calls Mar	Puts Oct	Puts Dec	Puts Mar
Fisons	160	15	18	24	5	9	13½
(*166)	180	5	8½	15	16	21½	25½

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Eurotunnel	460	15½	47½	-	7	30	-
(*465)	500	2	29½	-	38½	55½	-
[illegible]							

FT-SE INDEX (*3043)

[illegible]

PUTS								
Sep	½	1	2	7	25	68½	118	168
Oct	5	9	16	28½	49	80	121	170
Nov	12	19	29½	44½	65	93	129	171
Dec	21	29½	41½	58	78½	106	138	178
Jan †	-	76	-	111	-	158	-	217

September 9 Total Contracts 41,660
Calls 28,663 Puts 12,997
FT-SE Index Calls 6,348 Puts 3,978
Euro FT-SE Calls 2,336 Puts 231
*Underlying security price. †Long dated expiry mths.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Thu Sep 9	Day's change %	Wed Sep 8	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	128.95	-0.05	128.81	1.95	7.91
2	5-15 years (23)	156.45	-0.22	156.78	1.86	9.39
3	Over 15 years (9)	175.85	-0.06	175.95	0.49	9.78
4	Irredeemables (6)	206.43	-0.20	206.84	2.58	6.63
5	All stocks (61)	151.73	-0.13	151.93	1.66	9.63
	Index-Linked					
6	Up to 5 years (2)	187.56	+0.10	187.37	0.60	3.41
7	Over 5 years (11)	183.22	+0.25	183.12	0.57	3.79
8	All stocks (13)	182.77	+0.24	182.67	0.57	3.74
9	Debs & Loans (65)	144.58	-0.01	144.60	2.09	7.96

	AVERAGE GROSS REDEMPTION YIELDS		Thu Sep 9	Wed Sep 8	Year ago (approx.)
	British Government				
1	Low	5 years	6.34	6.32	6.83
2	Coupons	15 years	7.01	6.98	8.83
3	(0%-7¾%)	20 years	7.14	7.11	8.83
4	Medium	5 years	6.46	6.43	9.68
5	Coupons	15 years	7.14	7.12	9.02
6	(8%-10¾%)	20 years	7.22	7.21	8.91
7	High	5 years	6.66	6.63	9.95
8	Coupons	15 years	7.39	7.37	9.25
9	(11%-)	20 years	7.41	7.39	9.10
10	Irredeemables(Flat Yield)		7.33	7.32	9.04
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.49	2.52	4.74
12	Inflation rate 5%	Over 5 yrs.	3.29	3.22	4.68
13	Inflation rate 10%	Up to 5 yrs.	1.73	1.79	4.01
14	Inflation rate 10%	Over 5 yrs.	3.03	3.05	4.51
15	Debs &	5 years	7.65	7.61	10.78
16	Loans	15 years	8.03	8.02	10.46
17		25 years	8.16	8.16	10.31

Results at top end of analysts' expectations

RTZ shows its mettle with advance to £339m

By Kenneth Gooding, Mining Correspondent

RTZ, the world's biggest mining company, "showed its considerable resilience in combating difficult trading conditions," by reporting a 15 per cent increase in half year pre-tax profits despite an average 11.5 per cent fall in metal prices.

The results were at the top end of analysts' forecasts and RTZ's share price rose 7p to end the day at 725p.

Profit before tax rose from £295m to £339m. Net attributable earnings, which RTZ suggests is usually the most relevant measure of its performance, surged from £138m to £264m.

Earnings per share were up from 12.4p to 25.6p. However, adjusted earnings, which reflect underlying performance by excluding exceptional items, were up by a more modest amount, from £158m to £186m, or from 15.3p a share to 18p.

Sir Derek Birkin, chairman, warned that it may be some time before metal prices showed any meaningful improvement from present depressed levels and a more widespread improvement in economic activity was needed for volume growth in industrial minerals.

Mr Bob Wilson, chief executive, said first half results had benefited by £50m from exchange rates, arising principally from the devaluation of sterling and a weaker Australian dollar, whereas lower metal prices reduced earnings by £43m.

Operating cash flow from continuing operations increased from £236m to £315m.

A £536m rise in net debt to £1.58bn in the first half reflected the cost of the Nerco and Cordero US coal acquisitions. Asset disposals had reduced this to 14 per cent and gearing would be even lower by the year-end.

Sir Derek is to give up executive responsibilities at the 1994 annual meeting when he will be 64 to become non-executive chairman.

He said RTZ was in very good health. "How many companies could see a near-60 per cent fall in its product prices since the peak in 1988 and still produce these results and throw off all this cash?"

● COMMENT

It has been a hectic half year for RTZ, what with buying about 5 per cent of the US coal industry, selling most of the Pillar business and other assets. The share price last night seemed to be assuming there is more wheeling and dealing to come in the second half. This seems very unlikely and RTZ will have to work very hard indeed to match in the second half, or in 1994, what was undoubtedly an impressive first-half performance. There is no more dividend to come this year and, while most metal prices do not have much further to fall, copper, the most important one in the portfolio, might drop another 20 per cent from today's 86 cents a lb. And every 10 cent a lb fall would cost RTZ about £53m. In its present form RTZ is probably capable of earning 90p a share at the peak of the metals cycle, so there will be a better time to buy. It is a question of getting the timing right.

Tax credit helps lift Enterprise to £80.1m

By Robert Corzine

ENTERPRISE Oil, one of Britain's leading independent oil exploration and production companies, yesterday announced a jump in interim net profits from £34.6m to £80.1m, thanks to a large tax credit, increased production and sterling's depreciation.

Mr Graham Hearne, chairman and chief executive, warned, however, that a majority of Enterprise's 1993 profits had accrued in the first half because of special factors and weaker second half oil prices.

A credit of £27m resulted from the abolition in last March's budget of Petroleum Revenue Tax on past exploration and appraisal expenditure. The rise in production to 157,430 barrels a day of oil equivalent (135,500 b/d) was above market expectations.

An interim cash dividend of 9.5p (6.5p) was declared – the same level as last year's final. The policy of reversing the relative sizes of the dividends would apply for this year only, according to the company. Earnings per share were 15.8p (7.9p), after tax of £0.5m (£16.3m).

Enterprise joined the raft of companies offering enhanced scrip dividends to reduce their surplus advanced corporation tax. Shareholders are entitled to a dividend in new shares worth 14.25p per share. SG Warburg is offering to buy the shares at a minimum of 13.965p per share.

Mr Andrew Shilston, the newly appointed group finance director, estimated the company would save £13.2m in cash if all shareholders took the scrip alternative.

However, the company expects higher production rates to continue. The Scott field began producing ahead of schedule last week, with output due to reach 175,000 b/d later this month. Production from the Nelson field should begin in the first quarter of 1994. Total Enterprise output should rise to 250,000 b/d by 1995.

Exploration and appraisal expenditure fell to £29.5m (£44.4m) in the first half to June 30. Mr Shilston said test results of the Monte Alpi-3 in Italy were encouraging.

The lower spending helped to boost operating profits to £65.9m (£42.3m). Turnover was up 22 per cent to £292.7m (£239.5m).

Glaxo still confident of Zantac

By Paul Abrahams

UNDERPINNING Glaxo's continuing success over the last year has been its ability to continue to expand Zantac, its ulcer treatment and the first medicine to break the £2bn sales barrier.

In spite of the scale of the drug's sales, underlying growth, excluding exchange rates, increased by 11 per cent, a performance described by Dr Richard Sykes, chief executive, as quite remarkable.

Dr Sykes said Glaxo's long-established position in the US with bulk purchasers of medicines had enabled Zantac's underlying growth from that source to reach 13 per cent in the year to June 30.

Although underlying sales in Europe were up only 6 per cent – healthcare reforms in Germany and Italy cut sales by 10 per cent and 5 per cent respectively – those in the rest of the world increased by 19 per cent.

Considerable attention had been paid to the recent challenge to Zantac's patents by US generic companies, said Dr Sykes. However, even if Glaxo lost the cases, no generic version would be on the market before 1996.

There were other issues which could affect Zantac before the patents issue was resolved, Dr Sykes admitted.

The most immediate threat was presented by the expiry next year of the patents of SmithKline Beecham's Tagamet, Zantac's main US competitor. Zantac would have to compete with generic versions of this drug.

Even SmithKline Beecham's senior executives are divided over the likely impact.

The main threat from generics would appear to be in the managed care sector, rather than the retail sector where patients pay for their own medicines and are used to taking Zantac.

In the managed sector, Dr Sykes said Zantac was already holding its own against low-price Tagamet. Concerns about the safety and efficacy of generic versions could hold back their sales, he added.

Even if Glaxo wins its patent case, generics companies will theoretically be able to market an earlier version of the drug from 1996. However, Dr Sykes played down the threat. There were regulatory problems for generics manufacturers because the earlier version had not previously been licensed. In addition, it was unstable and difficult to manufacture.

Dr Sykes admitted that Zantac's sales would be affected by the introduction of over-the-counter non-prescription versions of Tagamet and Pepcid, Merck's counterpart.

An FDA advisory committee met yesterday to discuss SmithKline Beecham's application. However, any impact would be marginal.

Colin Beere

Dr Richard Sykes, left, and John Coombe, finance director: ulcer drug's 11 per cent sales increase was a remarkable performance

Other threats include the eradication of helicobacter pylori, a bacterium which has recently been discovered to be implicated in ulcers. If doctors decided to eradicate the bug rather than prescribe Zantac type drugs, the market could collapse.

Dr Sykes said this issue had still to be resolved and the company was working on its own eradication therapy.

The company is planning applications for new illnesses, such as ulcers generated by anti-arthritic drugs, and new slow-release formulations. Dr Sykes insisted that in spite of the all the threats, Zantac's franchise had a positive future.

Meanwhile, Glaxo has also launched a number of new products in an effort to reduce the dependence on Zantac. The new drugs, Serevent, Flixonase and Flixotide, the asthma treatments, Zofran, the anti-nausea treatment, Imigran, the migraine drug, Lacipil, a heart drug, and Cutivate, a skin cream, generated sales of £592m.

Dr Sykes said the performance of the new drugs was very creditable given that Serevent and Flixotide were only now going on sale and that Imigran had only just been launched in the US and had already achieved sales of £116m (£43m).

The star new drug, said Dr Sykes, had been Zofran which had generated revenues of £365m after only three years on the market. The treatment was not yet available in Japan, but he hoped it would be given approval during the fiscal year.

Shield Diagnostics raises £5m through 30% placing

By David Blackwell

SHIELD Diagnostics, the Dundee-based biotechnology company, yesterday raised more than £5m through a placing of about 30 per cent of its shares with institutions and private investors.

Allied Provincial Securities, which handled the issue, said 5.5m ordinary shares had been placed at 112p.

After the placing 18.6m shares are in issue, giving the company a market capitalisation of £20.82m.

About half the shares were placed with nine institutions, with the remainder going to private investors. They begin trading on the London Stock Exchange on September 23.

In addition, 358,690 ordinary shares were placed on behalf of some directors and employees to raise £401,734 before expenses.

No other existing shareholders have realised their investment.

A group of venture capitalists, including Apax Partners, Summa and Cygnus Ventures, held 90 per cent of the stock before the flotation and now hold 57 per cent.

The net proceeds of £5.24m will be used to clear the group's borrowings of about £500,000, and to provide working capital to allow further product acquisition and development.

Shield, which makes 65 per cent of its sales outside the UK, specialises in developing, making and marketing in vitro tests for human disease.

It is a rarity among biotechnology companies that have come to the market recently in that it already has 23 products for sale.

The company made no profits forecast and gave no notional dividend in its prospectus.

In the year to the end of March it had a total turnover of £1.68m, compared with a previous £445,000. Gross profits were £1.1m (£305,000). After net operating expenses of £1.74m (£1.69m) and interest payments, the pre-tax loss was £653,000, cut from £1.43m in the previous year.

Mr Gordon Hall, the chief executive who was recruited from Abbot Diagnostics of the US, insisted that Shield was different from other UK biotechnology groups as it already has commercial products and established marketing and licensing agreements.

Last year Shield acquired products from Northumbrian Biologicals which increased its turnover by £684,000 and gross profit by £460,000. Mr Hall said the group, which has high fixed overheads, was seeking further product acquisitions.

In addition to further developments of its existing range of products, the group has high hopes for two projects now under development.

Cost cuts help Blue Circle grow

By Paul Taylor

COST-CUTTING helped Blue Circle Industries, Britain's biggest cement manufacturer, achieve a 31 per cent increase in first-half profits before exceptional items.

The building materials and home products group reported pre-tax profits of £60.5m for the six months to June 30, compared with profits before exceptional items of £46.3m.

In the 1992 first half, exceptional gains of £40.1m, mainly from disposals, lifted pre-tax profits, restated under FRS 3 accounting rules, to £86.4m.

Earnings in the latest period came to 5p, against 4.1p in 1992 before exceptionals and 10.2p including the exceptional profits.

The share price added 14p to 284p.

Operating profits before net interest payments of £17.4m (£12.6m) increased by almost a third to £77.9m (£58.9m). Turnover grew to £798.8m (£570.4m).

Mr Keith Orrell-Jones, group managing director, said he was "pleased but by no means satisfied" with the improved operating results. He added: "Market conditions are now showing some signs of improvement, in both the UK and the US."

The heavy building materials division, comprising the cement, concretes and aggregates businesses, raised profits to £53m (£42.8m), on sales of £353.5m (£296.4m).

Operating profits at Blue Circle Cement (BCC) in the UK fell to £12.7m, compared with £15.9m before exceptional costs of £3.6m in the year-ago period. BCC's sales volume slipped by 5 per cent to 2.9m tonnes, reflecting weaker construction output and cement demand.

However, Mr James Loudon, finance director, said the price increases introduced in June had largely recovered the erosion over the previous year.

He also noted that the rationalisation programme announced in June, involving capacity cuts and a 20 per cent reduction in the workforce, had been completed and savings would be reflected in second-half results.

Blue Circle America, which is focused on the south-eastern US, boosted operating profits to £6.6m (£1.9m).

In the home products division, profits grew by a modest 5 per cent to £24.2m (£23.1m) despite a near doubling in turnover to £396m (199.8m) partly reflecting the acquisition last year of Celsius, the French and German central heating businesses.

Net debt at June 30 stood at £385m, down from £405m at the end of December and represented gearing of 38 per cent.

● COMMENT

The cynic might argue that Blue Circle is merely reaping the rewards of its substantial provisions in previous years. Nevertheless, the restructuring of the BCC operations has substantially reduced costs just as the cycle appears to be turning. In contrast, the lacklustre performance of the continental heating businesses again highlights the unfortunate timing of the Celsius purchase and accompanying rights issue. However, pre-tax profits should rise to about £155m this year, producing earnings of about 13.6p and a prospective p/e of about 21. This is a classic recovery stock.

Jigsaw theory proves a puzzle

Guy de Jonquieres looks at Cadbury Schweppes latest US move

CADBURY Schweppes' proposed $334m (£217m) acquisition of A&W Brands, the biggest US producer of root beer, has filled out part of the jigsaw which the British confectionery and beverages group has been assembling on the other side of the Atlantic.

But the deal, which comes three weeks after Cadbury snapped up 20 per cent of Dr Pepper, the third largest US soft drinks company, has left observers puzzling over the eventual grand design.

As one industry analyst put it yesterday: "Either Cadbury has a secret master plan for the US market and has really thought out all the moves in advance. Or else the company is just grabbing at opportunities as they come up and hoping everything will come right in the end."

A&W's sales last year of $130.8m are a fraction of the $47bn US soft drinks market. But the acquisition would be a sizeable leap for Cadbury, raising its US market share to 5.6 per cent from 3.4 per cent and increasing its worldwide soft drinks volumes by 20 per cent.

Cadbury believes A&W's brands, which include cream soda and citrus- and ginger-flavoured products, would give it more weight with independent bottlers. It also sees scope for cost savings and says the acquisition of A&W, which has an operating margin of 20 per cent, would enhance cash flow after the first year.

Still, A&W offers only a small step towards the US presence which Cadbury thinks it needs to present itself as a credible global player in soft drinks. Dr Pepper, with its 10.4 per cent share of the US market, remains the best hope of fulfilling that objective.

However, it is still unclear how that hope can be fulfilled. Last week, Dr Pepper installed a "poison pill" to deter Cadbury from raising its stake above its current level of 25.9 per cent and has responded coolly to calls by the UK group for talks on closer co-operation.

Mr Dominic Cadbury, chairman, put a brave face on these rebuffs yesterday. He said that he had not been surprised by the poison pill and that Cadbury was still on speaking terms with Dr Pepper, which bottles most of its soft drinks concentrates and distributes some of its brands in the US.

He said Cadbury's intentions were not hostile and it had not so far asked for a seat on Dr Pepper's board. A bid for the rest of the company was "not on the cards" at present, though Mr David Jinks, Cadbury's finance director, said pooling the companies' US drinks businesses in return for a bigger stake in Dr Pepper could be an option eventually.

However, Cadbury could not point to any imminent breakthrough in an apparent stalemate which has left it with more than £150m pounds invested in a company over which it exercises no management control and on which it is receiving no dividend.

Almost as perplexing to some observers is Cadbury's renewed interest in the US at a time when growth of the overall soft drinks market has slowed sharply - though the non-cola segment in which the company competes has fared much better.

Two years ago, Cadbury transferred its worldwide beverage headquarters from the US to London. The move, which led to the resignation of Mr Jim Schadt as head of the business, was widely seen as reflecting a shift in emphasis to markets closer to home.

The company is believed at about the same time to have considered, but decided against, making a takeover bid for Dr Pepper. Last spring, Cadbury executives were talking of the company's small residual holding in Dr Pepper as a financial investment, which was likely to be unwound.

Yesterday, Mr Cadbury said the recently enlarged holding in the US company was a long-term investment. But while it has yet to show a tangible returns, there was a 32 per cent rise in profits.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Albany Inv	int	1.25	Nov 5	1.25	-	4
Arjo Wiggins	int	2.65	Nov 16	2.65	-	6.5
Blue Circle	int	3.75	Nov 29	3.75	-	11.25
British Gas	int	6.4	Dec 15	6.4	-	14.2
BTR	int	4.95	Nov 26	4.65☆	-	10.8
Booker	int	7.5	Jan 4	7.5	-	21.75
British Dredging	int	2.6	Dec 13	2.6	-	5.2
Cadbury	int	3.6	Nov 26	3.3	-	13.2
Coats Viyella	int	3.25†	Nov 5	3	-	7.25
Christies Intl	int	0.5	Oct 28	0.5	-	1.5
Enterprise Oil	int	9.5	Nov 3	6.5	-	16
Friendly Hotels	int	2.2	Jan 6	2.2	-	5.7
Glaxo	fin	15	Nov 19	11	22	17
Gowrings	int	1	Nov 4	1	-	2
Great Southern §	int	4	Nov 3	3.6	-	11
Hall Engineering	int	6.48♦	Nov 3	3.3	-	8.64
JIB Group	int	2.5	Nov 15	2.5	-	7.5
Laing (John)	int	3	Nov 12	3	-	9
Manders	int	2.9	Nov 8	2.6	-	9
NFC	int	1.6ϕ	Dec 13	1.55	-	5.25
Perry Group	int	2.75	Dec 1	2.75	-	6
Ropner	int	3.5	Dec 31	3.5	-	8.25
Shell Transport	int	10.2	Nov 1	9.3	-	21.9
Sumit	int	0.7	Oct 29	nil	-	1.4
Swallowfield	int	2.2	Oct 29	2.2	-	4.4
T&N	fin	10.85‡	Nov 5	7.25	10.85	10.85
Woodchester	int	2.06‡†	Nov 4	1.81	-	4.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish currency. ☆ adjusted for scrip issue. ‡Total announced with interim results. ϕThird interim making 4.4p to date. ♦Subject to approval of enhanced scrip dividend alternative.

FT-ISMA INTERNATIONAL BOND SERVICE

THE FT-ISMA International Bond Service, published on Monday to Friday in the Financial Times, shows daily prices, provided by the International Securities Market Association, for a selection of the most actively traded Eurobonds and related securities, picked from the sectors which best represent current market conditions.

The service sets out to include certain "benchmark" issues within the space available, while still trying to maintain a broad spread of borrowers and currency groups.

Selections are reviewed regularly by the Financial Times and the International Securities Market Association.

NFC surges to £116m and plans restructure

By Roland Rudd

NFC, the transport group, yesterday announced a restructuring to focus on two core businesses which will lead to a management shake-up.

It also reported that pre-tax profits had jumped to £116.3m (£59.3m) for the 40 weeks to July 10 on the back of the sale of Waste Management and property disposals.

The restructuring package is part of a strategic review due to be completed by the year end. The news was welcome in the City and the shares rose 3p to 270p on a day the market fell.

The UK BRS transport operations and Exel Logistics, the distribution and storage business, are to be merged. While on the international side, relocations and removals are to be expanded.

Mr James Watson, chairman, said: "The transport businesses were becoming more similar making it sensible to integrate them. The move will give rise to significant cost savings."

Before exceptionals profits edged up to £62.3m (£61.5m). Operating profit rose 14 per cent to £79.2m as sales increased 11 per cent to £1.4bn.

The full-year profit is projected at £95m, the lower end of previously indicated "best view" range. In the future it will not issue best view ranges after taking legal advice.

Mr Watson said trading remained difficult in mainland Europe, particularly in Germany and Spain, while UK recovery was proving patchy.

Provisions will cover the rationalisation which will be taken as an exceptional charge at the year end. However, Mr Watson declined to say how much it will cost or what benefits the change will bring in cost savings.

The group would continue to keep its other businesses, such as truck rental and car leasing, and had stemmed the losses at Links, the parcels business.

Mr Watson hopes the refocusing will enable the group to expand its international relocations and removals network. "We are the biggest player with above 5 per cent of a market worth up to £7bn."

Mr Robbie Burns, managing director of Logistics is to take charge of the expanded transport business; Mr Graham Roberts moves from transport to become managing director of European operations and Mr Denis Olliver moves from Home Services to become managing director of International projects.

Earnings per share rose to 17.5p (8.3p), although they were unchanged at 8.5p before exceptionals.

The third interim dividend is raised to 1.6p (1.55p).

Halved interest costs help Manders

By Peter Pearse

A HALVING of the interest charge helped Manders, the Wolverhampton paint, inks and property group, lift pre-tax profits 21 per cent to £4.92m in the six months to June 30.

Interest payable tumbled to £965,000 (£1.94m) in the wake of lower rates and a fall in borrowings to £20.5m at the end of the half, against £29.6m previously.

Mr Roger Akers, chief executive, suggested that borrowings would have been lower, but for the 13.8 per cent rise to £52.4m in the turnover of continuing operations and the need for stock at Wickes, the 70-strong DIY multiple, where Manders started delivering own-brand paint in March.

The group also announced that it was marketing the Mander Centre in response to "unsolicited approaches". It was valued in December 1991 at £57.5m. Mr Akers said that, even if it was not sold soon, Manders would continue to look for acquisitions in Europe in paints and, especially, inks.

Group turnover fell to £55.2m, against £56.1m, though the latter figure included £7.55m from discontinued activities. Operating profits were £5.88m (£5.77m) with the coatings and inks division rising to £1.63m (£1.43m) on turnover of £22.5m (£19.8m) and the decorative side making £1.74m (£1.72m) on sales of £29.9m (£26.3m).

The interim dividend is lifted to 2.9p (2.6p), payable from earnings per share of 9.02p (7.74p).

Constructor blames downturn on delays in government spending

Laing declines to £5.1m mid-term

By Catherine Milton

DELAYS in government spending and costs previously held off the balance sheet contributed to a fall in pre-tax profits at John Laing from £5.6m to £5.1m in the six months to June 30.

Turnover at the construction company fell to £590.2m (£596.6m) as public sector work declined.

Mr Martin Laing, chairman, said: "Are ministers going to take the easy option and chop major capital expenditure projects, or are they going to grasp the nettle and go for the revenue side?"

A £4m interest charge on £40m borrowings on a Belfast development, previously held off-balance sheet, turned net interest receipts of £900,000 last time into a charge of £1.2m. The development contributed £2.4m to group operating profits of £6.3m (£4.7m).

Laing has a further £15.2m of off-balance sheet borrowings, held in three joint ventures and paying their own interest charges. It has net cash of £53.7m (£10m) following its £39m share placing in June.

Laing's US housing business made deeper operating losses of £3.6m (£1.5m), reflecting a £2.7m land write-down, while UK housing made a £500,000 operating profit (losses £1.6m).

Laing sold a total of 1,224 (792) housing units and expects to meet its full-year target of 2,410 (2,175). UK land prices are rising about 5 per cent over the full year as competition for smaller sites increased.

Mr Laing is not anticipating "major price rises" on housing units but said the cost of consumer incentives fell about 1 per cent over the half year.

Operating profits from construction struck mainly in the "deteriorating" UK market fell to £4.8m (£8.4m). Laing will resist tendering at "unrealistic prices".

Higher margin construction contracts won in the 1980s are almost complete and Laing is aiming to increase its proportion of overseas orders, now about 20 per cent of turnover, where operating margins average 10 per cent compared with a 2.5 per cent peak in the UK.

Property and investments returned £4.6m profits (losses £600,000).

The interim dividend is being maintained at 3p covered by earnings of 4.1p (4.5p).

Restructuring costs leave Arjo 36% lower at £63m

By Paul Abrahams

ARJO WIGGINS Appleton, the Franco-British paper group, yesterday reported pre-tax profits for the first six months to June 30 down 36 per cent from £99.1m to £63m.

Earnings per share fell 52 per cent from 7.5p to 3.6p. This was partly because of lower selling prices, but also a £14.6m provision for restructuring at the Cesea Spanish pulp and forestry operations and the German Buhl decorative paper business.

A quarter of the workforce at Cesea will be cut, and Buhl's mill at Ettlingen is being closed. Without the restructuring costs, earnings per share fell 28 per cent to 5.4p.

The company also booked an £8.8m loss on foreign currency loans for the Portuguese Soporcel operations following the devaluation of the escudo. Since June there have been further devaluations. The interim dividend was unchanged at 2.65p.

Mr Cob Stenham, chairman, said the business climate continued to be arduous. Recovery in the US and UK remained subdued and uneven. Poor demand in continental Europe and overcapacity affecting several product ranges would continue to restrict the group's profit recovery prospects until at least the second half of next year.

The company intends to secure a listing on the Paris Bourse later this year. Mr Stenham said the aim of the listing would be to widen AWA's shareholder base. The undue influence of AWA's minority French shareholders have caused concern among some UK institutions.

The results were achieved on turnover up 10 per cent from £1.3bn to £1.43bn. At constant exchange rates, sales volumes were up 1 per cent, but prices fell 5 per cent. Operating profits, including the exceptional items, dropped from £112m to £89m.

European paper manufacturing turnover increased from £637m to £676m, but fell 8 per cent at constant exchange rates. Cost savings only partly offset price cuts, leading to trading profits down from £51m to £25m after the exceptional restructuring costs.

The Appleton North American operations' trading profits rose 34 per cent to £71.4m, or 12 per cent in dollar terms. US paper operations increased their sales 4 per cent from $519m to $540m.

Debt increased to £351m, compared with £286m a year earlier thanks to high capital expenditure of £98m and the take up of shares during a Soporcel rights issue. Interest costs increased from £12.2m to £18.8m.

Swallowfield rises 24% to £522,000

SWALLOWFIELD, the aerosol and cosmetics manufacturer, reported pre-tax profits ahead 24 per cent at £522,000, against £421,000, in the 24 weeks to June 19. Turnover rose 40 per cent from £8.6m to £12m.

Mr Tony Wardell, managing director, said that within the encouraging performance the results of individual companies were mixed. Aerosols continued to provide most of the turnover and profits and reported a 30 per cent rise in volume but only 12 per cent in value.

In cosmetics, the UK side increased profits but the Belgian-based manufacturer had yet to be turned round.

The pre-tax figure was after increased interest charges of £344,000 (£256,000). Earnings per share were 2.6p (2.2p). The interim dividend is held at 2.2p.

Christies benefits from weaker pound and improves to £7m

By Catherine Milton

STERLING'S depreciation helped Christies International, the auctioneer, to advance pre-tax profits from £2.11m to £7.06m in the six months to June 30.

Sir Anthony Tennant, its new chairman, said: "A substantial proportion of this increase is associated with the effect of sterling's depreciation during the last year, but it is pleasing to note that underlying sales grew by 4 per cent in the period."

Turnover rose to £64.8m (£51.4m), helped by a £5.65m first-time contribution from Spink & Son, the fine art dealer acquired in April.

Sir Anthony said: "While we are encouraged by these signs of improvement, we are seeing relatively modest results in certain other categories where some owners have been slow to regain the confidence to consign works of art to the market." Cost controls had contributed to the profits improvement, with last year's efficiency programme continuing to bring benefits. The increase in March of the "buyer's premium", a commission paid on purchases, had improved margins.

Sales growth had been strengthened by demand for 19th and 20th century pictures, with impressionist and modern pictures achieving a 57 per cent increase.

The company said highlights included Monet's La jetee du Havre, which sold for $9.7m (£6.29m) in New York and Renoir's Jeune Fille portant une Corbeille de Fleurs, which fetched $5.7m in London.

Jewellery sales had also improved substantially, as did volume in a number of decorative art departments. Demand also hardened in the middle market, with sales at Christie's South Kensington rising by 22 per cent.

The interim dividend is unchanged at 0.5p. Earnings per share were 2.51p (0.7p).

NEWS DIGEST

JIB Group advances to £11.7m

JIB GROUP, the insurance broker, yesterday announced a 9 per cent increase in pre-tax profits to £11.7m for the first six months of 1993.

Earnings per share were up 12 per cent to 6.5p (5.8p). The interim dividend is unchanged at 2.5p.

Turnover from insurance broking increased by 19 per cent to £100.6m ,with about half the increase attributable to the strength of the US dollar in the period compared to last year. Income from the Lloyd's members' agency fell to £800,000 (£1.3m). Investment income was £8.4m (£9.5m).

Mr John Barton, chief executive, said that JIB had set aside £250,000 to meet costs arising from litigation involving its Lloyd's members' agency.

All-round growth at British Dredging

Progress all round coupled with much higher net margins enabled British Dredging to raise pre-tax profits by 28 per cent from £578,000 to £739,000 in the first half of 1993.

Turnover of the building materials, ship repairing and concrete products group, rose only 7 per cent to £17.35m. Mr Fane Vernon, chairman, said this increase was entirely due to the full six months' contribution from the 604 builders merchants business which was acquired in March 1992 and from Selco's Cardiff branch – opened in July 1992.

Operating profits grew 83 per cent to £655,000. Net interest received was lower at £84,000 (£306,000) because of the group's investment in new branches of JT Edwards and Selco Trade Centres and reduced interest rates.

Last time there was also an exceptional charge of £85,000. Earnings per share increased from 2.2p to 2.83p, while an unchanged interim dividend of 2.6p is declared.

Thompson Clive net assets ahead

Thompson Clive Investments, the venture capital company, reported net asset value per share of 196.3p fully diluted at June 30, against 175p a year earlier and 188.6p at the end of 1992.

Net profit for the first half of 1993 was £46,000 (£166,000) and earnings per share came to 0.36p (1.3p).

North Sea Assets shows improvement

Boosted by a full-year's programme of activity falling in the first six months from its Hydra-Lok subsidiary, pre-tax profits of North Sea Assets, oil and gas services group, expanded to £1.19m for the period to June 30.

This is compared with £64,000 which was after incurring £653,000 losses on the sale of assets in discontinued operations.

The directors pointed out that 1993 figures included costs of £309,000 incurred in evaluating and negotiating the purchase "of a significant offshore services group".

Earnings per share were 2.41p (0.17p).

Reduced £125,000 loss for Roxspur

Reduced pre-tax losses of £125,000 were announced by Roxspur, maker and installer of playground equipment, street furniture and rubber safety surfacing, for the year ended May 31. For the previous 14 months there were restated losses of £755,000.

Mr Ian Orrock, chairman, said the fall in turnover from £5.46m to £4.18m reflected the uncertainty surrounding the future of the group during the first half, together with the scale of the recession, competitive conditions and the uncertainty in the local authority sector of the group's market.

The pre-tax result was after *exceptional cost of sales of* £180,000 relating to works required to correct a substantial number of manufacturing and installation problems and an exceptional £60,000 for rationalisation and reorganisation costs.

Losses per share fell to 0.9p (13.6p).

Alliance Canadian rights cancelled

Alliance Resources, the oil and gas exploration and production concern, said that as a result of receiving incorrect legal advice in Canada, its rights issue there did not comply with local security laws. Accordingly, the company had decided to cancel the offer in Canada and return monies received.

Last month, the company announced that the 10.97m new ordinary shares not taken up in the issue had been sold by Durlacher & Co. Acceptances were received in Canada in respect of 1.86m rights shares.

However, those holders whose shares are registered in Canada – including many UK institutions - are to be allowed to subscribe at the original issue price of 5p per share for the number of shares for which they accepted in Canada.

Touche Ross to buy CSL for £5.8m

Touche Ross, the charterered accountancy and management consultancy concern, is to acquire CSL for £5.8m.

CSL is a leading consultancy and managed services company to the public sector, particularly local and health authorities.

Slight decrease to £30m and cautious note sounded on second half

Bird fight puts heat on Booker

By Andrew Bolger

BOOKER, the food distribution and agribusiness group, yesterday reported a slight decrease in interim profits and sounded a downbeat note about the outlook for the second half.

Mr Jonathan Taylor, chairman, said: "Overall, current trading is satisfactory but . . . we remain cautious for the year as a whole."

Mr Taylor said he was concerned about the group's Arbor Acres chickens farms in the US, which were facing increasing competition, and the possible adverse impact on consumer confidence in the UK of November's budget.

Pre-tax profits fell from £36.8m to £29.9m in the six months to June 12, although the previous period was flattered by a £5.3m gain on disposals. Sales rose from £1.47bn to £1.5bn and operating profits from continuing operations rose from £37.4m to £38.9m.

In spite of sluggish trading conditions, Booker said effective action had been taken to increase operating efficiencies and reduce costs, so margins had improved slightly.

Food distribution profits recovered strongly from £16.2m to £19.2m. Sales in cash and carry started to improve during the second quarter and this trend was improving.

Trevor Humphries

Jonathan Taylor: action taken to increase operating efficiencies

More important were the cost savings resulting from the extension of information technology throughout the depot system. The total group workforce fell by 1,340 to 21,000, with most of the job losses occuring in cash and carry.

Booker Fitch Food services improved profits as a result of tighter operation control. Its biggest fast-food contracts had been concentrated into two dedicated depots, reducing costs. However, the catering market remained dull.

Within food distribution, current trading was improving, but the group said it was not possible to predict the impact of the next budget, which would come before the peak Christmas period.

Profits from fish and prepared foods were static at £9.6m (£9.8m). The group said it was difficult to secure price increases from supermarkets to compensate for higher costs.

Agribusiness profits fell to £8.8m (£10.1m). In the UK, McConnell Salmon had returned to profit and other businesses were benefiting from sterling's devaluation.

Earnings fell to 10.5p (12.2p), although excluding exceptionals they rose from 10.42p to 10.51p. The interim dividend was held at 7.5p.

● COMMENT

The preference of US consumers for chickens with lots of white meat is hurting Booker, which breeds birds with more dark meat than the competition. It will be 1995 before a suitable female bird is ready, so the pain could continue for some time. Meanwhile, the success of rationalising food distribution shows that Mr Charles Bowen, the recently appointed chief executive, has plenty of scope for improving controls further. The shares are on a prospective multiple of 13, a 15 per cent discount to the market and just below the food sector's rating. A maintained dividend looks assured. The shares, down 9p to 432p, are underpinned by a prospective premium yield of more than 6 per cent, but are unlikely to advance until the new man shows his hand.

Friendly Hotels calls for £10m

FRIENDLY Hotels is seeking £10m net through a 1-for-3 rights issue at 150p a share. The proceeds will be used to reduce indebtedness and strengthen the balance sheet ready for further expansion.

The shares closed down 7p at 179p.

The company also announced lower interim pre-tax profits of £679,000 (£908,000) on turnover of £13.5m, against £13.9m, which included £1.63m from discontinued activities. Fully diluted earnings per share were 3.4p (4.3p) and the interim dividend is maintained at 2.2p.

The company said the last equity issue was of £11.6m convertible preference shares in 1989.

Taking into account the rights proceeds net borrowings will be £30.1m for gearing of 37 per cent.

The preference holders can apply for shares on the basis of 10 ordinary for 81 of the 4.75 per cent convertible, 100 ordinary for 459 of the 5 per cent convertible and one ordinary for nine 7 per cent convertible.

On the results the company said the first half had proved more variable than anticipated, with the average room rate being affected adversely by increased competition.

Components side helps lift T&N 14% to £39m

By David Blackwell

T&N, the motor components and engineering group, boosted first half pre-tax profits by 13.5 per cent to £39.4m in spite of what the directors described as "severe recessionary conditions in continental Europe."

Mr Colin Hope, chairman and chief executive, said the group's automotive component businesses had provided most of the increase, although the bearings and friction products divisions had also made increased contributions. He said T&N had improved margins in the period to end-June from 7.8 per cent to 8.3 per cent.

Customer demand in Europe was continuing to decline, and it would be some time before a recovery was seen. While the UK would be hampered by the European recession, brighter conditions were seen in North America and the Far East.

"Much potential exists for further market share gains and margin improvement," he added.

Trading profits in North America, where the group now supplies all three Japanese motor makers, were up 50 per cent to £18.8m (£12.5m). In the UK, which lifted direct exports by 8 per cent, trading profits were 18 per cent ahead at £24.5m (£20.7m).

Mr Hope said that elsewhere, in very difficult trading conditions, profits had been maintained at similar levels to last year.

Group turnover was 8.7 per cent higher at £774.5m (£712m). Operating profits were up by 15 per cent at £54.2m (£47.1m) after allowing provisions of £9.8m (£8.5m) for claims related to its former asbestos activities.

Earnings per share were 5p (4p). The group is proposing an unchanged full-year dividend of 10.85p, payable at the interim, with the alternative of an enhanced scrip dividend valued at 16.275p per ordinary share.

Hoare Govett is offering to buy the scrip shares for not less than 98 per cent of face value, or about 15.95p. If all shareholders took the enhanced dividend, T&N said it would save £50m cash on dividend payments and £14.5m on advanced corporation tax.

T&N completed the DM250m (£100m) acquisition of Goetze, the German piston ring producer, in June, when the first instalment of DM90m was paid and 21.9m T&N shares were placed to raise £37m.

Rationalising Goetze's activities were on course.

Net borrowings at June 30 were £425.5m, up from £239.2m at the end of last year and giving gearing of 80 per cent.

● COMMENT

Given the prevailing trading conditions in the motor sector, this is a very good set of results. Raising margins in this climate is a rare feat which shows that the drive to cut costs and boost market share is paying off. T&N has kept its shareholders loyal during a near-decade of restructuring by offering them a high yield. Their cup runs over with payment of an enhanced scrip dividend in full at the interim stage. Holders of the stock this calendar year will enjoy a yield near 10 per cent. Questions remain over who will hang on when the shares go ex-dividend – yield fund managers will certainly start to look elsewhere as they stare at a less prosperous 1994. But it could mark the transformation of T&N from a yield stock to a growth stock.

Coats Viyella hits £63m and keeps an eye on China

By Roland Rudd

COATS Viyella, the textiles and clothing company, is hoping to reduce gearing by 20 per cent by enticing preference shareholders to convert to ordinary stock with an enhanced dividend.

The offer of a scrip dividend was announced as the group unveiled a 35 per cent increase in pre-tax profits to £62.8m (£46.4m). Turnover rose to £1.2bn (£1bn).

Profits were helped by a £7.2m gain from the lower pound and a 50 per cent increase in UK operating profits to £20.8m.

Following a series of acquisitions and joint ventures borrowings rose to £503m (£474.5m) representing gearing of 62 per cent. This is expected to fall to around 45 per cent by the year end.

However, this could be cut by another 20 per cent if the 119m preference shareholders convert to ordinary stock in order to take advantage of the scrip dividend. Its value of 4.875p compares with the declared ordinary interim dividend of 3.25p (3p). For each share offered under the issue Barclays de Zoete Wedd is offering cash of 4.7775p.

The shares yesterday rose 1p to 257p. The group is confident that the stock will remain above the preference shareholder conversion level of 251p until the end of the month.

If the scrip is taken up by shareholders it will save the company £25m which will be used to invest in the company's joint ventures in China.

Mr Neville Bain, chief executive, said: "We have already signed six joint ventures and are confident of clinching more shortly. There are enormous opportunities in China; there are 1.2bn people who are not fully clothed."

Mainland Europe was the only area where profits fell. Mr Bain blamed the deepening recession for the decline in Continental profits to £12m (£19m) and said further rationalisation would take place in the second half.

Earnings per share rose to 5.9p (4.3p).

● COMMENT

Coats Viyella's scrip dividend is worthy of support since the company is pin-pointing specific investment in China which should offer a good rate of return. With net cash inflow from normal operating activities jumping from £13m to £52m shareholders are not being asked to shore up the balance sheet. Borrowings are likely to fall sharply by the year end as preference shareholders convert to ordinary stock to qualify for the enhanced payout. That would give the company more headroom to build on its investment in China and make further strategic acquisitions. Forecast annual pre-tax profits of £150m put the shares are on a prospective multiple of 17.7. With further gains from the devaluation of sterling to flow through the shares still look attractive on a premium rating.

Reverse for Ford leaves Gowrings in the red

WITH TURNOVER down from £26.84m to £25.69m, Gowrings, the motor dealer and leisure group, suffered pre-tax losses of £137,000 for the first six months of 1993, against £172,000 profits.

Mr John Fowles, chairman, stated that the two Ford dealerships experienced "a most difficult six months' trading". He explained that Ford's loss of market share, together with an erosion of new car margins and reduced manufacturer's incentives, "had a dramatic effect on our results".

The leisure division produced doubled trading profits for the period of £187,000 (£90,000) while the motor side made just £3,000 (£270,000).

Losses per share were 1.84p against 1.62p earnings and the interim dividend is unchanged at 1p.

Lower provisions help DY Davies cut losses

Losses at DY Davies, the USM-quoted architect, were cut from £1.67m to £684,000 pre-tax for the 12 months ended April 30.

The figures were helped by a reduction in exceptional provisions to £553,000 (£950,000) and lower interest costs of £259,000 (£287,000).

Turnover improved to £7.36m (£7.29m) and at the operating level there was a swing from losses of £430,000 to profits of £128,000. Losses per share emerged at 11.5p (21.8p).

Directors said the industry was still in the grip of recession, construction prices were down, fee bidding was competitive and demand was low.

Perry expands and plans to raise £9.6m via rights

PERRY Group, the motor dealer, plans to raise about £9.6m through a 1-for-3 rights issue of up to 6.27m new ordinary shares at 160p each.

The proceeds will initially be used to reduce short-term borrowings, but the company also intends to develop and invest in areas of its core business.

The group also announced a jump in pre-tax profits from £553,000 to £2.86m for the half year to June 30. Turnover edged ahead by £190,000 to £151.2m.

Earnings per share advanced to 10.4p (2p) and the interim dividend is held at 2.75p. The directors expect to recommend a final of not less than 4.25p.

County NatWest is underwriting the cash call and brokers are Smith New Court.

Relulatory squeeze on margins and OFT requirement hits UK supply activities

British Gas static after better second quarter

By David Lascelles, Resources Editor

ALTHOUGH the half year results of British Gas were little changed from the half-way point last year, the overall figures released yesterday masked a continuing change in the company's structure.

As foreshadowed by a statement made at the time of the Monopolies and Mergers Commission report last month, profits for the six months to June 30 on a historical cost basis were £634m compared with £637m a year earlier.

That included a second quarter loss of £16m, a slight improvement on the corresponding quarter's deficit of £21m.

The interim dividend remains unchanged at 6.4p.

The result showed a fall in operating profit from UK gas supply from £809m to £742m because of the regulatory squeeze on margins and the Office of Fair Trading requirement that British Gas divest itself of a major portion of the industrial market.

Mr Cedric Brown, the chief executive, said that 59 per cent of the firm contract market and 17 per cent of the market for customers using *more than 2,500* therms a year was now in the hands of the competition.

Mr Philip Rogerson, finance director, said that overall gas sales were down 2 per cent, but the result included a benefit of £36m attributable to the slightly colder weather in the UK over the period.

Regulatory actions cost the company £140m in the first half through enforced loss of market share and price controls.

Against this, overseas gas supply raised its contribution from £94m to £123m, and exploration and production rose from £112m to £196m. British Gas is now active in Argentina and Canada, and expects to sign a major contract shortly in Trinidad.

Mr Robert Evans, the chairman, said that the relaxation of the price formula recommended by the MMC "will do little to restore the profitability of the UK gas supply business. Even with the major rationalisation which we intend to implement, profits from that business will not reach the levels achieved in recent years, and the adverse effects will be felt by the company as a whole."

He said the investment programme, which totalled £2bn last year, would have to be reduced. However, he believed that the structure proposed by the MMC would introduce "a measure of stability and clarity" to the industry.

British Gas has already warned that the changes being forced upon it will result in the loss of 20,000 jobs over three years. So far this year, 3,000 have gone, bringing the total down to 79,284.


Ashley Ashwood

Robert Evans: investment programme will have to be reduced

Dutch purchase of Newey enforces European role in electrical distribution

By Ronald van de Krol in Amsterdam

HAGEMEYER, the Dutch company which has agreed to pay BTR up to £165m for Newey & Eyre Group, said the management of the Birmingham-based electrical distributor would remain after the acquisition.

Hagemeyer, which is 63 per cent-owned by First Pacific of Hong Kong, is an international trading house specialising in automobiles, consumer electronics, speciality foods and luxury goods.

It also supplies electro-technical products.

The timing of the acquisition fits Hagemeyer's pattern of takeovers in the field of electrical distribution. In 1989 it acquired the Dutch group Bernard, and followed that up two years later with the purchase of a large majority stake in Fröschl of Germany.

Mr Andrew Land, chairman of Hagemeyer, said the management team of Newey had managed to maintain a reasonable level of profit during a severe UK recession.

The purchase comes as the British construction industry is showing signs of emerging from recession.

Mr Land said: "We are cautious and do not expect a very *decided upturn, but we do* expect an improvement in conditions."

Given the normal time lag of six to 12 months, Hagemeyer expected Britain's market for electro-technical supplies to show an "uptick" in the second half of next year.

The acquisition of Newey will not only boost the Dutch company's turnover by one-third to more than Fl 4.4bn (£1.6bn), but it will also bring into reach a long-standing goal of building up a significant European electro-technical business. Its aim for the past five years has been to generate sales of at least Fl 2.5bn per year in the electro-technical sector by 1995.

Newey's turnover of Fl 1bn, plus existing electro-technical turnover of nearly Fl 1.2bn, puts Hagemeyer comfortably on course to reach this goal, Mr Land said yesterday.

Mr Land said that Hagemeyer usually takes two years to absorb and integrate a major electro-technical acquisitions, meaning that a similar-sized deal should not be expected for another two years. Smaller, "rounding" acquisitions of companies with turnover of between Fl 50m and Fl 200m are possible, he said.

Hagemeyer expects to decide before the end of the year how it will finance the purchase of Newey. Mr Land did not rule out a share issue but said the decision would rest on a number of factors.

ERM turmoil behind fall at Woodchester to I£16.4m

By Tim Coone in Dublin

WOODCHESTER Investments, the Dublin-based leasing and banking group, which is 49 per cent owned by the Credit Lyonnais Group, has reported a 6.2 per cent drop in pre-tax profits to I£16.4m (£15.3m) for the six months to June 30.

The fall reflects the turmoil in the ERM early in the year, prior to the devaluation of the punt, which caused interest rates to soar and is estimated to have cost Woodchester about I£2.5m, similar to the final quarter of 1992.

Mr Craig McKinney, chairman and chief executive, said "If it hadn't been for the ERM crisis profits would have been up on last year". He explained that most of the group's lending is on fixed rates, with 90 per cent of the portfolio hedged against interest rate movements on the three-to-six month Dublin interbank market. When short-term rates soared, Woodchester therefore had to absorb the cost.

The result includes a first-time contribution from CLLE, the European leasing arm of Credit Lyonnais, in which Woodchester took a 30 per cent stake in November 1992, and which boosted profits from associated companies by 140 per cent to I£2.8m.

Mr McKinney, said, however, that new business volumes and net interest income in CLLE's operations were below budget by 21 and 12 per cent respectively, "due to the generally poor economic climate throughout Europe".

CLLE is a strategic area for Woodchester's future development plans, by building on its success in the UK and Irish small and middle-ticket leasing markets, to expand throughout Europe.

Market analysts in Dublin expect CLLE's contribution to improve in 1994, and pointed to the continuing strength of Woodchester's car leasing business in both Ireland and the UK, where new business is up 5 per cant and 30 per cent respectively. In Ireland this has been achieved against a backdrop of a 6 per cent decline in car registrations.

Earnings fell by 15 per cent to 6.37p (7.47p), reflecting both the fall in pre-tax profits and a 6 per cent increase in shares in issue since 1992. A 15 per cent increase in the interim dividend to 2.08p (1.81p) has been declared, which brokers said was indicative of Woodchester's confidence for the year.

A full-year result of about I£37m pre-tax and earnings of about 15.5p are being forecast.

Hall Engineering doubles to £3.75m with help of associates

By Andrew Baxter

HALL ENGINEERING (Holdings) yesterday announced more than doubled first-half profits and joined the growing list of companies to offer an "enhanced" scrip dividend to save cash and reduce its tax bill.

The Shrewsbury-based steel stockholding, construction products and engineering group lifted pre-tax profits from £1.55m to £3.75m as operating profit rose by one-third, the share of associated company profits jumped by two-thirds while the interest charge fell by one-third.

Earnings per share jumped from 2.27p to 8.2p.

The record £3.2m (£1.96m) profit from associated companies – almost all of which came from the four companies in Singapore, Indonesia and Hong Kong – served to highlight Hall's tax poser. As profits derive predominantly from overseas it is less able to offset its ACT liabilities.

Hall is to accelerate the dividend payment by making an interim pay-out of 6.48p (3.3p) and, as an alternative, offer shareholders new shares based on an enhanced figure 50 per cent above the interim cash dividend.

These shares can be sold to Kleinwort Benson at a minimum guaranteed price.

Mr Richard Hall, chairman, said that if the scrip dividend was fully subscribed, the company would save £2.5m: from not paying the dividend nor the related ACT. On a pro-forma basis earnings per share would improve by 2.1p and gearing would be lower by 8 percentage points.

Hall's move, timed to pre-empt any possible Budget measures, comes as UK profits mount an impressive recovery, which will reduce the amount of ACT that the company has to write off.

In steel stockholding, a deficit of £108,000 in the first half of last year was turned into an operating profit of £366,000 this time. "There is much more stability in the market and we are having much less trouble getting our margins", said Mr Hall.

The BRC steel reinforcement business, strengthened by new management, posted an operating profit of £117,000, compared with a £659,000 loss.

In contrast, profits fell in the engineering division from £1.91m to £1.05m. This reflects a £500,000 provision for 90 redundancies at the Stadco pressings business, and a loss of £300,000 in Stadco's automation business, where profits on some important long-term contracts have yet to be booked.

NEWS DIGEST

Ropner down to £1.6m but confident

PRE-TAX profits for Ropner, the Darlington-based engineering, shipping and property group, fell from £1.72m to £1.63m in the first half of 1993.

However that hid an improvement in all divisions which produced increased operating profits of £1.55m (£982,000). Investment income, less interest payable, fell from £733,000 to £82,000.

Mr Jeremy Ropner, chairman, expected profits in the second half to be above those for the first.

Turnover rose to £9.01m (£8.26m). Earnings per share were 4.2p (4.4p) and the interim dividend is maintained at 3.5p.

Great Southern advances 13%

Despite a further small decline in the national mortality rate, Mr James Smillie, chairman of the Great Southern Group, funeral services concern, announced a 13 per cent increase in pre-tax profits from £2.55m to £2.88m for the first six months of 1993.

Turnover of this USM-quoted company advanced by 9 per cent to £16.15m (£14.76m) while the profit figure was after lower interest of £503,000, compared with £654,000.

Earnings per share were 14.4p against 12.5p, while the interim dividend is stepped up from 3.6p to 4p.

Sumit net asset value rises to 103p

Sumit, the development and venture capital investment trust, reported fully diluted net asset value per share of 103p at June 30 compared with 97p a year earlier. The rise reflected an improvement in the performance of a number of the investments.

With gross revenue advancing to £582,000 (£370,000) for the first half of 1993 net profits were up from £22,000 to £243,000.

Earnings per share were 3.4p (0.3p) and an interim dividend of 0.7p (nil) is being paid.

The company said it was confident the improvement seen in the first six months would continue in the next 12 to 18 months.

Albany Investment net assets ahead

The net asset value of Albany Investment Trust stood at 139.77p per share at August 31 compared with 98.21p a year earlier and 127.75p at the trust's February 28 year-end.

Net revenue for the half year fell to £208,400 (£247,500) for earnings per share of 2.08p (2.47p).

The interim dividend is maintained at 1.25p.

Austin Reed opens shop in Japan

Austin Reed, the upmarket clothing retailer, yesterday opened its first shop in Japan, through a licensing agreement with a Japanese tailor, writes Emiko Terazono in Tokyo.

The move comes as the country's prolonged economic slump has affected consumer confidence, especially in clothing. Leading department stores have been forced to offer cheaper suits due to the aggressive price cuts by discount retailers, which have gained popularity as more Japanese have started to refrain from spending.

Mr Barry Reed, chairman, said he was aware of the latest trend in the men's clothing market, but he believed that in the long run, the Japanese would opt for quality clothing.

Austin Reed has been available in the Japanese market for the past 20 years, through licensing agreements with the country's apparel makers.

The company hopes to attract customers, who are familiar with its flagship store on London's Regent Street. The outside appearance of the new shop, located in Ginza, the luxury shopping centre of Tokyo, is modeled after the Regent Street store and is made of the same stone material.

The retailer expects to see sales of Y70m (£430,000) in the first year.

Details of FT-SE announcements

This is the text of the notice issued on Wednesday by the FT-SE Actuaries UK Indices Committee.

The Committee, at its meeting today, proposed a change to the rules concerning the definition of a UK company for index purposes.

It is a principle of the indices that only UK companies are eligible and the purpose of the rule change is to clarify the treatment of stapled units which include shares in both UK and non-UK companies.

The proposed rule change involves an additional requirement that companies eligible for membership shall pay dividends franked for UK corporation tax purposes (or if there is currently no dividend, would do so).

Cases where shareholders may elect to receive either a franked or a non-franked dividend (ie, where it is not mandatory, when receiving a dividend, to receive a franked dividend) would not be eligible.

All index rule changes require to be approved by the FT-SE Actuaries Share Indices Steering Committee which next meets on October 6, 1993.

If the proposed rule change is approved by that Steering Committee, neither new Rothmans units nor Vendome units would be eligible for inclusion in any of the FT-SE Actuaries Share Indices for the UK; "old" Rothmans International would remain a constituent of the indices until the forthcoming reorganisation becomes effective.

The status of SmithKline Beecham units (which have been included in the indices for several years) would become anomalous. Each unit consists of B ordinary shares in the UK company (which pays no dividend) and US preference shares of a US subsidiary which is responsible for all the dividends on the unit; thus the unit pays a dividend which is not franked for UK corporation tax.

The units will continue to be included in the indices while consultation takes place with interested parties including the company and its advisors. SmithKline Beecham A shares (whose dividends are franked) are *not the subject of such consultation* and will remain a constituent of the indices.

Notes: Rule 4.9 of the Ground Rules for the Management of The UK Series currently defines an eligible UK company as a company "incorporated and registered for tax purposes in the UK".

Under the proposed revised rules, Eurotunnel plc will remain eligible for inclusion in the FT-SE Actuaries Share Indices. The weighting of Eurotunnel plc will remain unchanged at 50 per cent of the Eurotunnel units.

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Details of annual changes

The Committee approved constituent changes to be made to the FT-SE SmallCap and FT-A All-Share after close of business on 31 December 1993. In accordance with ground rule 4.8(c), the minimum size of constituent for FT-SE SmallCap companies has been set at £30m.

There will be an additional 74 new companies included in the FT-SE SmallCap Index and FT-Actuaries All-Share, with 40 existing companies being removed.

For inclusion: Allied Leisure, Associated Nursing, Avesco, Birkby, Britton Group, Burndene Investments, Cairn Energy, CALA, Cannon Street Inv, Capital & Regional Props, Capital Industries, Debenham Tewson & Chinocks Holdings, Derwent Valley Holdings, Development Securities, Drayton English & International Trust.

East Surrey Holdings, Equity Consort Investment Trust, European Smaller Companies, Eve Group, Farepak, Filofax, First Philippine Investment Trust, First Technology, Flextech, Gardiner Group, GBE International, Govett American Smaller Cos, Grainger Trust, Gresham Telecomputing, Guinness Peat Group.

HTV Group, Haemocell, Haynes Publishing Group, Headlam Group, Helical Bar, Higgs & Hill, In Shops, International Business Comms, Learmonth & Burchett Management Systems, Lilleshall, Linton Park, London Atlantic Investment Trust, Lookers, ML Holdings, Magellan Industries, Mayborn Group, Metal Bulletin.

Mid-States, Mitie Group, NMC *Group, North American Gas Invest* Trust, North Atlantic Smaller Cos Investment, P&P, Pifco Holdings, Pizza Express, Portmeirion Potteries, Quicks Group, River & Mercantile Smaller Cos, Sanderson Electronics, Sanderson Murray & Elder.

SelecTV, Shaftesbury, Smaller Companies Investment Trust, St Modwen Properties, Sterling Industries, Sterling Publishing Group, Stylo, Sutcliffe Speakman, Tepnel Diagnostics, Throgmorton 1000 Smallest Cos Trust, Tops Estates, Union Discount, US Smaller Cos Investment Trust, Wills Group.

For exclusion: AAF Industries, Anglo United, Ashley Group, Baltic, Benson Group, BM Group, Caird Group, Campari International, Dalepak Foods, Dolphin Packaging, Elswick, Everest Foods, FII Group, Haggas (John), Hampson Industries, Herring Baker Harris Group, Hi-Tec Sports.

I&S UK Smaller Companies Trust, Ipeco Holdings, Leslie Wise Group, Linx Printing Technologies, Lionheart, MacDonald Martin Distilleries, Maddox Group, McCarthy & Stone, Metro Radio Group, Midland & Scottish Resources, MTM, OIS International Inspection.

Pilot Investment Trust, Porter Chadburn, Prospect Industries, Radio Clyde Holdings, Reliance Security Group, Rosebys, Servomex, Sherwood Computer Services, South Staffordshire Water Holdings, Starmin, Triton Europe

'Gold fever' gives way to sober realism

Budapest's developers are cautious, writes Vanessa Houlder

The euphoria that characterised Budapest's property sector at the turn of the decade has given way to sober realism.

According to the city authorities which are trying to sell off state-owned property, the market has slowed down. "The real estate market has collapsed in the past two years," says Mr Gabor Demszky, mayor of Budapest.

He fears that demand for property has dropped so sharply that the city may not achieve its target of Ft6bn-Ft10bn in property sales this year. It is far cry from 1990-91, when interest in property was "like a gold fever", according to Mr Demszky. "Every day dozens of foreigners wanted to meet me because of real estate," he says.

But while developers are no longer beating a path to the mayor's door, agents in Budapest challenge the assertion that the market has collapsed. Supply and demand are in a good balance, with over-supply of 1 per cent. Rents for the best buildings have held at a monthly rate of about DM50 per square metre, though for some less well-located buildings the rates have fallen to DM30.

The recession in property markets worldwide, together with a less bullish attitude to the domestic sector's prospects have prevented any speculative excesses in Hungary.

Developers have therefore resisted starting new developments because of concern about the possibility of over-supply, the difficulty of raising finance without pre-lets and the problem of selling completed buildings.

The result of this caution has been a relatively prompt take-up for completed buildings. Since 1988, 280,000 sq m of office stock has been completed. Take-up this year is likely to be about 80,000 sq m-100,000 sq m, according to Jones Lang Wootton, chartered surveyors.

Investors for completed, let buildings are currently a rare breed. "You can assume that the majority of buildings are potentially for sale," says Mr Michael Hodges of Jones Lang Wootton. So far, there have been a bare handful of investment deals. Two small office buildings were bought by Dutch investors last year on yields of between 13 per cent and 14 per cent.

'The real estate market has collapsed in the past two years'

The slow development of Budapest's investment market is partly explained by the problems endured by markets in other countries in recent years. Those investors which are in a position to make purchases have been able to obtain high yielding buildings in more established markets.

Investors might also be deterred by relatively short leases. "For the development of the investment market, we need more buildings with good covenants and good lease structures," says Mr Michael Carroll of Healey & Baker, the surveyors.

Moreover, potential investors do not believe returns are high enough to compensate for the extra risks associated with an unstable economy and the non-convertibility of the forint.

Some commentators blame property owners for having an inflexible position on the value of their property. "If prices stay as high, there is no chance of inviting foreigners to invest here," says Mr Peter Keszthelyi of the Budapest Chamber of Commerce.

But developers baulk at dropping their asking prices, given the high cost of building in Hungary, which is not much cheaper than in neighbouring countries. Developers must contend with heavy duties on imported building materials, lengthy planning procedures and onerous financing costs.

Moreover, the authorities are reluctant to sell land cheaply. "We have long-term goals. The city is waiting for a good time to sell it [property] at the right price," says Mr Janos Haszonits of the city's enterprise department.

'The city is waiting for a good time to sell property – at the right price'

Compared with other central and eastern European countries, there are relatively few problems in establishing a claim to land. "The land registry has, for the most part, been carefully maintained. It is functioning well," says Mr Wolfgang Dorn-Zachertz of the law firm, Pünder, Volhard, Weber & Axster.

The legal system also presents few problems, he says. Even so, investors still need to confront the complexities of the ownership structure, which compels buyers to undertake tortuous negotiations with different state organisations. Complications arise because state-owned property is administered by several entities.

Developers also have to grapple with a complex planning system. Applications are supposed to take more no than 30 days to process; but in reality they take a lot longer. "The bureaucratic procedures have not been reduced by the change of regime," says Ms Katalin Pongracz, of the city's special planning department.

The structure of the planning authorities in Budapest is complex, involving six departments at the town hall and 22 local districts. Winning agreement for the city's new development plan, which replaces the old regime's 1988 plan will therefore be complicated.

The main proposals in the development plan, according to Ms Pongracz, are:

- to ensure that the density and size of the city are contained;
- to improve the quality of living accommodation;
- to upgrade infrastructure and transport facilities;
- and to improve green areas and ensure the old parts of the city are restored before greenfield sites are developed.

"There is a special character of Budapest which we are not going to destroy," says Ms Pongracz.

'There is a special character of Budapest which we are not going to destroy', says an official of the city's planning department Paris

COMMODITIES AND AGRICULTURE

EC's 'naive' aluminium import curbs attacked

By Kenneth Gooding, Mining Correspondent

THE ROW over restrictions imposed by the European Commission on aluminium imports to the Community from the Commonwealth of Independent States flared up again yesterday as Mr Phillip Crowson, chief economist at RTZ, the world's biggest mining group, launched a scathing attack.

He said that the EC's imposition of quotas was "naive, ineffective and an irrelevance. One might just as well have attempted to prevent the recent Mississippi floods with a child's index finger." He pointed out: "Supplies of any fungible commodity are indivisible".

The commission announced at the begining of August that the surge in CIS aluminium imports had "seriously damaged" EC producers and that imports to the end of November would be limited to 60,000 tonnes. This would give some breathing space for further negotiations.

At presentations associated with the publication of RTZ's half-year results, Mr Crowson also added his voice to those who had suggested that the level of metals prices in coming months mainly depended on the producers. More output cuts were needed if prices were to rise, he argued.

He pointed out that CIS exports of all metals had levelled off but warned that they would persist at present high levels. The "clamour" of some metal producers for trade restrictions was understandable but represented "a failure to live up to changed realities". Because of the collapse of the former Soviet Union, those realities included "permanent and irreversible shifts in patterns of demand, relative costs and production".

Economic pressures were forcing western lead and zinc miners to cut production but smelters had so far been insulated. "Their insulation is now disintegrating rapidly," Mr Crowson suggested. Cuts in aluminium production had not been enough to restore the market to supply/demand balance, let alone reduce stocks.

There was a very good economic case to be made for Japanese copper smelters to cut output, but it would be unwise to bank on this happening.

He said most metals prices appeared to be near their cyclical low points. "The speed of any subsequent upturn depends partly on the course of economic activity, but mainly on how suppliers themselves react in coming months."

● Discussions about the Lihir Island gold project between the government of Papua New Guinea, RTZ and RTZ's potential joint venture partners were proceeding amicably, said Mr Bob Wilson, RTZ's chief executive. "We are hopeful that a satisfactory conclusion will prove possible," he added. RTZ's proposal to sell part of its 80 per cent stake to Venezuelan Goldfields, a Canadian company, seemed in jeopardy last month after the PNG government suggested RTZ was behaving in a high-handed manner and threatened to take a 50 per cent holding in Lihir, the biggest western gold deposit outside South Africa, instead of 30 per cent as previously expected.

ANC offers miners hope of exchange control relaxation

By Philip Gawith in Johannesburg

THE AFRICAN National Congress yesterday raised the prospect that a new government might relax exchange controls to encourage investment by South African companies in the region, especially in the mining sector.

Speaking at a mining conference in Johannesburg yesterday Mr Trevor Manuel, Head of the ANC's Department of Economic Planning said the ANC was "considering the possibility of creating a special window for investments in the region."

He said the ANC was anxious to stimulate local mining companies to invest in the region and thus to assist in its economic revival.

Existing exchange control regulations make it very difficult for South African companies to finance investments beyond its borders. Companies have to convince the Reserve Bank (central bank), which administers exchange control, that there will be a virtually immediate benefit to the country from any such investment.

The ANC – likely to be the largest party in a future government – has acknowledged that no such change could be expected before the second half of 1994, and even that may be an ambitious target. Although, as one bank official acknowledged, South Africa has a "soft spot" for Africa, the selective relaxation of exchange controls for South Africans, while foreign lenders still find some of their loans subject to a sovereign debt repayment scheme, would be controversial. And while the ANC clearly feels a debt to its neighbours, all of whom suffered to some extent from South Africa's destabilisation policies in the past, it may have difficulty convincing the business community that the national interest is best served by favouring regional investment.

In a speech outlining the ANC's view of the future of mining in South Africa, and on the continent, Mr Manuel said the ANC was "committed to maintaining the international position of the [mining] sector and to creating conditions for guaranteeing the high levels of investment needed to replace depleting reserves."

He said that the ANC recognised that mining was a high risk industry and that investors required "above average" guarantees if they were to be attracted. The ANC was planning a review of the system of access to mineral rights in an attempt to encourage investment, he added.

"Mineral rights need to be freed up, but this needs to be done in such a way as still to guarantee the investor the right to mine with adequate tenure. The fiscal terms need to be stable and the investor must be given access to foreign exchange, both for imported inputs and the repatriation of profits." The ANC, Mr Manuel added, was also committed to "guaranteeing the investor a stable economic environment, including guarantees against nationalisation without compensation".

Mr Manuel did not lay much emphasis on the "responsibilities" of the investor, other than to note that the legacy of apartheid in the industry would have to be addressed through training of the local population. "We hope that we will see much greater black South African participation in ownership and the higher paid positions."

He endorsed the conventional wisdom that the future of the local mining industry lay in the route of beneficiation, or adding value, to minerals. Examples suggested were stainless steel and aluminium kitchenware and cutlery.

UK feed cake sliced into bigger portions

The three top producers now have 52 per cent of the market writes Alison Maitland

UK CATTLE, pigs and poultry may not know it, but the business of feeding them is becoming increasingly sophisticated.

"You've got to have animal feed plants that are like ice cream factories or bakeries in terms of their standards of hygiene and efficiency," says Mr Paul Kirk, executive director in charge of agribusiness at Dalgety, the food and agriculture group.

Colin Beere

George Paul: Sees opportunities in a contracting market "provided there is rationalisation"

That is one reason for the growing concentration of the compound animal feed market in the hands of national producers. The latest move came last week when Dalgety announced that it was paying £15.7m for Unigate's Oldacre business, the largest regionally-based manufacturer, to take its share of the national market from 17 per cent to 21 per cent.

This puts it neck-and-neck with BOCM Pauls, the company formed last year by Harrisons & Crosfield when it merged its own subsidiary, Pauls Agriculture, with the BOCM Silcock animal feeds business it bought from Unilever for £67m.

BOCM Pauls has 22 per cent of the market, putting the share of the national producers, including J. Bibby in third place, at about 52 per cent.

Industry analysts say the Dalgety acquisition has raised a question mark over Bibby, part of the South African Barlow Rand group, given that it is now a long way behind its nearest rivals in a shrinking industry.

Some of the independent regional millers and co-operatives that share the rest of the market are also likely to come under pressure.

Hygiene standards are becoming increasingly onerous and putting the squeeze on smaller producers, according to Mr Kirk. "The amount of food safety legislation applying to animal feeds is larger than that which applies to human food," he says.

The industry is likely to gravitate towards manufacturers that are either big enough to benefit from economies of scale or small enough to hold niche markets, says Mr Kirk. "Being stuck in the middle might not be the most comfortable place to be."

European Community milk quotas, introduced in 1984, have helped to make the animal feed market stagnant, and last year's reforms of the common agricultural policy, designed to cut farm over-production, are expected to restrict future growth.

"That doesn't mean there isn't a good business opportunity in a market that's contracting, provided there is rationalisation," says Mr George Paul, chief executive of Harrisons & Crosfield. "What we're aiming to do is to be significantly the most economic producers of feed, running a small number of quite large modern mills at as close to design capacity as we can."

BOCM Pauls is due to complete a sweeping rationalisation programme by the end of this year. It has closed 13 mills, axed 600 jobs – 25 per cent of the workforce – and increased the average capacity of its remaining 20 mills from 75,000 tonnes a year to 120,000 tonnes. It is investing £10m in upgrading production.

Dalgety has added Oldacre's eight mills to its existing 19 mills. Mr Kirk says the purchase is a good geographical fit with the existing business, although industry observers expect some rationalisation here too, albeit more limited.

This year the company is spending £14m on replacing machinery, upgrading older plants and increasing capacity, which is now an average of nearly 100,000 tonnes per mill.

The size of the two market leaders will enable them to spread their research and development costs at a time when discerning consumers are forcing changes all the way down the food chain.

"The large retailers are increasingly interested in the methods of production of what ends up on their shelves," says Mr Martin Wood, BOCM Pauls managing director, at the company's Ipswich headquarters. Supermarkets now want to know the proportion of lean meat in broiler chickens, for example, or the protein content of milk.

At the same time, UK farmers need to cut costs to compete with successful exporters like Denmark and the Netherlands. That means, for example, using a feed that will enable the delivery of as many cattle as possible to the abattoir on the right day and at the right weight, he says.

To meet these demands, BOCM Pauls is converting some of its mills from general feed production to diets specially designed for cattle, pigs or poultry. Its 350-strong sales force has also become "species-specific".

The newly merged company had a disappointing first half performance because it had failed to secure adequate advance supplies of raw materials before the pound was devalued upon quitting the EC's exchange rate mechanism last September.

The impact was felt not only in costlier imports, which account for 30 per cent of its raw materials, but also in the price of vital home-grown cereals. EC support prices are fixed in European currency units, so the sterling-denominated price of UK cereals shot up by some 20 per cent as the pound plummeted.

That cast a shadow over the merger.

But the pound's devaluation was not all bad news as it gave British farmers – including the company's 10,000 customers – an unexpected and welcome boost to profits. That has increased confidence, particularly in the dairy sector, where farmers are also being wooed by milk buyers and processors in the run-up to next year's abolition of the Milk Marketing Board's monopoly.

The immediate challenge for the market leaders will be to hold on to their new slice of the cake. BOCM Pauls lost 2 percentage points of market share to its rivals during its merger, but analysts expect the Dalgety acquisition to cause less of an upheaval because Oldacre is smaller and likely to require less integration.

It should also soon become clear whether price competition is on the cards, as manufacturers begin to strike contracts with farmers for the winter feed season.

Pakistani cotton fears ease

By Farhan Bokhari in Karachi

PAKISTAN'S CENTRAL cotton committee – the country's largest government backed body for research – expects this year's crop to reach the target of 12m bales, despite recent reports of a leaf curl virus attack and a feared locust invasion.

The latest assessment comes amid growing concerns over the future of crops, especially as fears run high ahead of a fresh entry of locust swarms from Indian Rajasthan, next week.

Pakistan's cotton crop suffered a shortfall of about 3m bales last year, because of widespread devastation caused by floods, heavy rains and a similar virus attack.

Mr Iftikhar Afzal, vice president of the committee, said this week that the cotton crop in the Southern province of Sindh has been better than expected. As a result, the province is expected to produce up to 1.8m bales, 20 per cent above target.

In Punjab, where the bulk of the country's cotton is planted, there may be a slight shortfall from the target of 10.5m bales. Recent rains there have brought down temperatures and prevented the virus from flaring up, with the result that earlier estimates of losses have been reduced.

Despite the reassuring assessments, the final crop output will depend on the extent to which Pakistan is able to control the locust attack, officials say.

"We are doing everything to save the crop. If we are unable, the consequences can be devastating. But we have been able to control quite a lot of activity on the locust," said Mr Afzal. Other officials say, moreover, that farmers are better prepared this year in applying pesticides, based on their experience last year.

EC 'to freeze green rates'

THE EUROPEAN Commission would last night be freezing the "green" currency rates rates at which European Community guaranteed farm prices are translated into national currencies until the end of September, a commission official said yesterday afternoon, reports Reuter from Brussels.

"There will be no green rate devaluations or revaluations in September," he said.

The commission decision, which followed backing for the move by the EC agrimonetary committee earlier in the day, would provide some short-term stability in farm trade, the official said, adding that the situation would be reviewed before the end of the month.

Farm trade became highly unstable after all EC currencies were regarded as floating when fluctuation bands for most units were widened on August 1 in the wake of the ERM debacle.

The three- and 10-day reference periods for calculating green rates had been temporarily abandoned and the rates fixed on the basis of exchange rates in the last 10 days of August, the official explained.

The decision followed pressure from the German government, which was worried that a possible strengthening of the D-Mark would cause a further cut in prices for its farmers.

WORLD COMMODITIES PRICES

MARKET REPORT

The London Commodity Exchange's robusta market **COFFEE** recovered from a weak start yesterday to be about unchanged by midday. And futures values surged to fresh 2½-year highs in the afternoon after the New York arabica price broke through stubborn resistance at 80 cents a lb for the near December future position. London's November position touched $1,300 a tonne before closing at $1,297, up $29 on the day. "The volume in London has not been all that great," said one trader, *"we're just following* the lead of New York." The **GOLD** price also recovered from a modest early fall, as the German Bundesbank's discount rate cut improved sentiment. By the close the price was showing a gain from Wednesday of $2.40 at $354.15 a troy ounce. "Gold and German interest rates tend to work in an inverse relationship," explained James Capel's bullion analyst, Mr Jon Berthell. **COPPER** prices ended easier after an active day, as nearby premiums narrowed in response to the LME's move on Wednesday to limit the one-day premium so as to relieve the supply *squeeze that has persisted for* some weeks.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$14.07-4.17u	+0.030
Brent Blend (dated)	$15.76-5.78	+0.040
Brent Blend (Oct)	$16.08-6.10	+0.030
W.T.I (1 pm est)	$17.08-7.11	+0.010
Oil products (NWE prompt delivery per tonne CIF		**+ or -**
Premium Gasoline	$190-192	
Gas Oil	$162-163	+2
Heavy Fuel Oil	$62-64	
Naphtha	$150-152	-1
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$354.15	+2.40
Silver (per troy oz)♣	427.00c	-3.60
Platinum (per troy oz)	$357.65	+0.40
Palladium (per troy oz)	$117.85	+0.85
Copper (US Producer)	91.00c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	11.88m	-0.01
Tin (New York)	214.5c	+0.5
Zinc (US Prime Western)	82.0c	
Cattle (live weight)†	127.10p	-2.36*
Sheep (live weight)†♣	80.57p	-8.45*
Pigs (live weight)†	69.26p	-2.12*
London daily sugar (raw)	$242.2	-2.5
London daily sugar (white)	$281.6	+1.6
Tate and Lyle export price	£267.0	-2.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£172.0	
Wheat (US Dark Northern)	£166.5u	
Rubber (Oct)♥	60.50p	-1.0
Rubber (Nov)♥	60.75p	-1.25
Rubber (KL RSS No 1 Jul)	214.5p	
Coconut oil (Philippines)§	$430.0v	+5.0
Palm Oil (Malaysian)§	$357.5	+5.0
Copra (Philippines)§	$280.0	
Soyabeans (US)	£190.0	
Cotton "A" Index	55.10c	
Wooltops (64s Super)	319p	-6

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Sep/Oct u-Oct t-Oct/Dec x-Aug/Sep ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low	
Oct	268.50	267.50	268.00	268.00
Dec	263.30	262.00	263.50	262.60
Mar	266.00	265.50	266.00	264.10
May	269.60	268.50	269.00	265.60

White 1034 (1828) Paris- White (FFr per tonne): Oct 1507.62 Dec 1500.84

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Oct	16.11	16.02	16.14	16.02
Nov	16.35	16.24	16.36	16.26
Dec	16.51	16.45	16.54	16.48
Jan	16.69	16.63	16.71	16.65
Feb	16.87	16.78	16.89	16.82
Mar	17.03	16.93	17.04	16.95
Apr	17.10		17.13	17.10
May	17.25		17.25	17.17
Jun	17.36		17.35	17.25
IPE Index	16.03	16.24	16.03	16.03

Turnover 6832 (38144)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Sep	158.75	157.00	159.00	156.75
Oct	160.00	158.50	160.00	158.00
Nov	161.75	160.50	161.75	160.00
Dec	163.75	162.60	163.75	161.75
Jan	165.25	164.50	165.50	163.50
Feb	165.25	164.25	165.25	164.25
Mar	163.75	162.75	164.00	163.50
Apr	162.50	162.00	162.50	
Jun	160.50	159.50	160.50	

Turnover 16664 (20108) lots of 100 tonnes

WOOL

The Australian Federal Government accepted all the main recommendations of the Garnaut Wool Industry Review Committe, appointed in April to consider the wool crisis. The major wool consuming countries have expressed opposition to these proposals. Fixed schedules for stockpile disposal caused particular anxienty, but the Australian Government has only relented to the extent of postponing their introduction until July 1994. The wool market itself is firm or slightly dearer this week mainly as a result of Chinese buying for early shipment. The AWC market indicator reached 418 cents yesterday, against 411 a week before.

COCOA – LCE £/tonne

	Close	Previous	High/Low	
Sep	827	826	835	816
Dec	861	862	867	847
Mar	884	883	892	872
May	892	891	900	884
Jul	902	901	905	895
Sep	911	910	915	906
Dec	925	924	930	916
Mar	939	941	942	929
May	950	951	950	941
Jul	955	959	928	

Turnover:7464 (15965) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 8 869.99 (859.61) 10 day average for Sep 9 848.03 (840.11)

COFFEE – LCE $/tonne

	Close	Previous	High/Low	
Sep	1368	1357	1365	1340
Nov	1297	1268	1300	1257
Jan	1265	1242	1270	1230
Mar	1259	1234	1256	1219
May	1253	1231	1250	1232
Jul	1238	1229	1233	
Sep	1230		1234	

Turnover: 4100 (3454) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 8 Comp. daily 71.32 (70.09) 15 day average 69.77 (69.43)

POTATOES – LCE £/tonne

	Close	Previous	High/Low	
Apr	82.0	81.5	83.0	82.0
May	94.8	96.0	95.5	95.0

Turnover 96 (75) lots of 20 tonnes.

SOYAMEAL – LCE £/tonne

	Close	Previous	High/Low
Oct	-	-	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – LCE $10/index point

	Close	Previous	High/Low	
Sep	1438	1430	1440	
Oct	1488	1460	1490	1475
Nov	1485	1465	1500	1480
Jan	1486	1480	1500	1480
Apr	1515		1530	1508
BFI	1409	1406	1409	

Turnover 118 (37)

GRAINS – LCE £/tonne

Wheat	Close	Previous	High/Low	
Sep	100.45	101.35	100.50	
Nov	101.95	102.20	102.00	101.50
Jan	103.85	104.35	103.85	103.75
Mar	106.00	106.40	106.05	105.85
May	108.20	108.65	108.20	107.95
Barley	**Close**	**Previous**	**High/Low**	
Nov	101.75	102.05	101.80	101.75
Jan	104.15	104.00	104.05	
Mar	106.30	106.15	106.25	105.90
May	107.40		107.20	107.00

Turnover: Wheat385 (580) Barley 32 (66).
Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Sep	-	-	

Turnover:0 (0)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 52,711 lots
Cash	1116-7	1132-3		1123.5-4.5		
3 months	1136.5-7.0	1153-4	1148/1135	1144-4.5	1137-7.5	248,988 lots
Copper, Grade A ($ per tonne)						Total daily turnover 78,917 lots
Cash	1955-7	1985-7	1970/1967	1966-7		
3 months	1913-4	1928-9	1923/1908	1916-7	1908-9	176,849 lots
Lead ($ per tonne)						Total daily turnover 2,427 lots
Cash	384.5-5.5	388-7	389.5/389	385-6		
3 months	398-9	400-1	400/398	398-8.5	398-8.5	23,793 lots
Nickel ($ per tonne)						Total daily turnover 6,816 lots
Cash	4515-20	4495-500	4540	4490-5		
3 months	4565-70	4539-40	4565/4530	4542-5	4564-70	48,736 lots
Tin ($ per tonne)						Total daily turnover 1,176 lots
Cash	4570-80	4595-600		4565-75		
3 months	4620-30	4645-50	4640/4615	4615-20	4615-20	10,737 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 10,829 lots
Cash	878-9	879-80	878.5	876.5-7.0		
3 months	894-5	894-5	895/893	893.5-4.0	894-5	81,283 lots

LME Closing £/$ rate: SPOT: 1.5510 3 months: 1.5410 6 months: 1.5324 9 months: 1.5243

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	353.90-354.40	
Opening	350.80-351.00	
Morning fix	351.35	228.075
Afternoon fix	353.30	227.686
Day's high	354.70-355.00	
Day's low	350.90-351.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.66	6 months	2.58
2 months	2.64	12 months	2.57
3 months	2.59		

Silver fix	p/troy oz	US cts equiv
Spot	274.35	424.25
3 months	278.25	427.35
6 months	281.90	430.70
12 months	289.35	438.25

GOLD COINS

	$ price	£ equivalent
Krugerrand	351.00-354.00	228.00-231.00
Maple leaf	364.30-366.65	-
New Sovereign	83.00-86.00	53.00-56.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1125	32	63	7	17
1150	17	48	17	26
1175	7	35	32	38
Copper (Grade A)	**Calls**		**Puts**	
1900	45	70	27	69
1950	22	49	54	97
2000	10	33	91	130
Coffee LCE	**Nov**	**Jan**	**Nov**	**Jan**
1200	123	124	26	59
1250	91	97	44	82
1300	64	78	67	111
Cocoa LCE	**Dec**	**Mar**	**Dec**	**Mar**
775	98	130	12	21
800	79	111	18	27
825	63	94	27	35
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
1650	1	38	40	55
1700		21		91
1750		10		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	354.2	351.2	353.0	353.0
Oct	354.8	351.8	355.8	352.4
Nov	355.8	352.7	0	0
Dec	356.5	353.6	357.5	354.3
Feb	358.2	355.2	358.5	356.1
Apr	359.9	356.8	360.1	359.0
Jun	361.5	358.4	362.7	359.6
Aug	363.2	360.0	363.2	363.2
Oct	364.9	361.6	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	359.8	357.2	361.5	355.5
Jan	360.9	357.9	363.0	359.0
Apr	362.4	358.8	364.0	360.5
Jul	363.2	359.6	364.0	361.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	424.0	421.8	427.5	423.5
Oct	425.2	423.0	0	0
Nov	427.6	425.4	0	0
Dec	427.7	425.7	432.5	426.0
Jan	428.0	426.0	432.0	432.0
Mar	431.6	429.6	436.5	431.0
May	434.7	432.6	437.0	434.5
Jul	437.5	435.2	442.5	438.0
Sep	440.3	437.9	444.0	437.0
Dec	446.5	442.4	447.0	443.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	82.65	84.70	84.30	82.40
Oct	82.65	84.80	84.25	82.60
Nov	82.70	84.90	0	0
Dec	82.80	85.00	84.65	82.50
Jan	83.00	85.10	84.05	84.05
Feb	83.20	85.15	84.25	83.90
Mar	83.40	85.25	85.00	83.10
Apr	83.60	85.35	84.60	84.80
May	83.80	85.50	85.40	83.75
Jun	83.95	85.60	85.00	84.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	17.08	17.03	17.17	16.98
Nov	17.47	17.40	17.53	17.37
Dec	17.77	17.70	17.81	17.67
Jan	18.00	17.92	18.00	17.93
Feb	18.17	18.12	18.20	18.08
Mar	18.31	18.29	18.35	18.28
Apr	18.48	18.43	18.50	18.45
May	18.64	18.56	18.64	18.60
Jun	18.71	18.66	18.74	18.65
Jul	18.76	18.76	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	51.45	51.12	51.70	51.00
Nov	52.45	52.08	52.55	52.00
Dec	53.40	53.12	53.55	52.95
Jan	54.20	53.87	54.30	53.80
Feb	54.50	54.22	54.50	54.25
Mar	53.95	53.67	53.95	53.70
Apr	53.10	52.72	53.10	53.00
May	52.30	51.97	52.30	52.30
Jun	52.05	51.57	52.05	51.90
Jul	52.30	51.82	52.30	52.25

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1091	1083	1080	1080
Dec	1152	1144	1167	1132
Mar	1201	1192	1212	1180
May	1226	1215	1235	1206
Jul	1246	1235	0	0
Sep	1266	1255	1270	1260
Dec	1290	1279	1272	1272
Mar	1317	1306	0	0
May	1336	1325	1325	1325

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	79.79	76.00	79.90	76.00
Dec	82.20	78.80	82.20	78.60
Mar	84.40	81.10	84.50	81.00
May	85.65	82.50	85.50	82.20
Jul	87.00	83.65	87.00	85.00
Sep	88.25	85.00	88.25	88.25
Dec	91.50	88.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.11	9.09	9.18	9.08
Mar	9.59	9.58	9.63	9.53
May	9.74	9.74	9.77	9.70
Jul	9.83	9.84	9.87	9.81
Oct	9.87	9.88	9.88	9.84

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	55.95	55.78	56.05	55.55
Dec	57.34	57.30	57.55	56.95
Mar	58.92	59.00	59.05	58.60
May	59.55	59.63	59.72	59.45
Jul	60.28	60.05	60.25	60.01
Oct	60.88	60.45	0	0
Dec	60.88	60.60	61.00	60.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	119.20	119.95	120.85	118.75
Nov	121.25	122.55	123.60	121.20
Jan	122.65	123.75	124.80	122.55
Mar	123.95	124.95	125.50	124.10
May	124.95	125.95	126.50	126.50
Jul	125.95	126.95	0	0
Sep	125.95	126.95	127.25	127.25
Nov	125.95	126.95	0	0
Jan	125.95	126.95	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Sep 9	Sep 8	mnth ago	yr ago
1630.0	1638.0	1629.9	1501.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 8	Sep 7	mnth ago	yr ago
Spot	121.79	121.83	124.82	118.29
Futures	128.26	125.79	128.58	115.18

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	642/2	641/4	645/0	641/4
Nov	641/4	642/4	648/0	641/0
Jan	646/2	648/0	651/2	646/0
Mar	651/2	653/2	656/4	651/0
May	654/0	656/4	659/0	654/0
Jul	656/2	659/6	662/0	656/0
Aug	655/4	657/2	658/2	655/4
Sep	636/0	637/6	639/0	636/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	23.21	23.32	23.40	23.13
Oct	23.23	23.35	23.42	23.17
Dec	23.43	23.55	23.58	23.36
Jan	23.52	23.64	23.64	23.45
Mar	23.60	23.72	23.73	23.51
May	23.61	23.73	23.65	23.55
Jul	23.60	23.71	23.75	23.55
Aug	23.50	23.58	23.56	23.50

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	204.2	204.3	205.2	204.1
Oct	201.1	201.3	202.8	200.9
Dec	200.6	200.9	202.7	200.5
Jan	201.3	201.5	202.9	201.2
Mar	202.5	202.7	204.3	202.5
May	203.3	203.4	205.0	203.3
Jul	205.0	204.8	206.2	204.7
Aug	204.0	204.0	205.5	204.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	227/4	226/6	227/6	225/6
Dec	235/6	234/4	236/0	234/6
Mar	244/2	242/6	244/4	242/6
May	249/4	248/2	249/6	248/4
Jul	252/4	251/2	252/6	251/4
Sep	248/2	247/0	248/4	248/2
Dec	244/4	243/4	244/6	243/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	298/6	303/4	303/6	299/2
Dec	309/6	312/0	312/6	308/0
Mar	314/2	316/2	316/6	312/4
May	311/0	311/2	312/2	309/0
Jul	301/4	303/0	303/4	300/0
Sep	306/0	307/4	0	0
Dec	314/0	315/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	75.175	75.875	75.975	75.100
Dec	75.475	75.925	76.025	75.325
Feb	76.075	76.200	76.325	75.925
Apr	76.700	76.900	76.950	76.575
Jun	73.350	73.500	73.625	73.300
Aug	72.250	72.250	72.400	72.250
Oct	72.775	72.950	72.950	72.775

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	48.625	48.775	49.100	48.250
Dec	48.450	49.000	49.100	48.300
Feb	47.275	47.500	47.675	47.175
Apr	45.400	45.550	45.700	45.350
Jun	49.700	49.725	49.850	49.500
Jul	48.700	48.700	48.750	48.500
Aug	47.400	47.550	0	47.400
Oct	43.900	43.950	43.900	43.900

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	52.800	52.775	53.250	52.000
Mar	52.225	52.200	52.600	51.800
May	53.250	53.350	53.500	53.000
Jul	53.100	53.000	53.550	52.850
Aug	52.425	52.425	0	0

LONDON STOCK EXCHANGE

Shares lower after an erratic session

By Terry Byland, UK Stock Market Editor

THE reduction in Bundesbank interest rates failed yesterday to bring the buyers back into a UK stock market still focused around company results and the indications of political disagreement within Mr John Major's government over tax policies in the November Budget.

Further cuts in rates in Germany and elsewhere in Europe have been widely discounted in London, where investors still believe that a reduction in UK base rates may be held back until the autumn Budget.

The timing of the cuts in German discount and Lombard rates, followed by similar moves elsewhere in continental Europe, came as a mild surprise in London and share prices bounced from a dull start, replacing a 10-point fall on the Footsie with a gain of the same proportions.

But while the retail and consumer stocks hung on to an early improvement prompted by a favourable survey of the distributive trades by the Confederation of British Industry, the broad range of equities soon turned back.

The second half of the trading session proved erratic, with the UK market nervously watching Wall Street, which was a couple of Dow points ahead in UK hours. Weakness in the US dollar revived caution on the outlook for New York markets. Volatility in UK stock index futures played a part in moving blue chip share prices.

At its final reading of 3,031.2, the FT-SE 100 Index was down 4.2 on the day. The FT-SE Mid 250 Index, which contains many stocks more closely linked to the domestic economy, gained 6.5 points to 3,468.9. But non-Footsie stocks made up only about 53 per cent of the day's total business.

Much of the day's trend reflected trading statements from a large number of leading British companies, which continued to provide a somewhat mixed lead for the stock market. Companies representing around ten per cent of the FT-SE market capitaliation reported yesterday. The most outstanding was Glaxo, which traded very heavily and finally showed a gain worth around plus 5.3 points on the Footsie Index.

Higher profits from Cadbury Schweppes, however, were balanced by a £324m rights issue, albeit well-discounted to market price. Blue Circle Industries, Britain's largest cement producer, delivered a highly favourable report on the UK industry. But statements from both BTR and Babcock International were less encouraging.

The mixture of company results and interest rate plays boosted Seaq turnover to 726.8m shares from the 600.4m of the previous session; on Wednesday, retail or customer business continued to hold up well, returning value of £1.27bn. Retail business in London has for a year held comfortably above the £1bn daily mark regarded as the basis of a profitable market for the London-based securities houses.

However, this did nothing to restrain renewed, and apparently stronger, suggestions that a London agency broker would close its doors today.

Market strategists continued to ask, in the words of the equity team at Kleinwort Benson, the London based house, "...just how far this setback will go." Although Kleinwort believes that overseas buying may now have moved on other markets, it says the downside for London should be limited.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	8,800	60½	+1
Abbey National†	3,900	402	+2
Albert Fisher	777	72½	+1½
Allied-Lyons†	1,800	586	+1
Anglian Water†	654	526	+5
Argos	102	350	
Argyll Group†	1,500	317	-1
Arjo Wiggins†	3,400	208	+4
Assoc. Brit. Foods†	334	489	+6
Ass. Brit. Ports	56	438	-3
BAA†	948	818	-7
Dalgety	229	500	-7
De La Rue†	540	978	-1
Decoro	1,600	231	+7
Eastern Elect.	1,000	639	+8
East Midland Elect.	89	519	+5
Eng China Clays	405	440	-5
Enterprise Oil†	2,600	474	-1
Eurotunnel Units	173	485	+8
FKI	1,400	148	-1
Fisons	2,800	170	-½
Foreign & Col. I.T.	761	245	+½
MB Caradon†	1,900	324	
MEPC	868	503	+3
MFI	2,200	146	
Manweb	13	582	+4
Marks & Spencer†	4,400	389½	+5½
Midlands Elect.	441	563	+4
Morrison (Wm.)	188	134½	
NFC†	3,300	270	+3
NatWest Bank†	5,300	489	+3
National Power†	1,700	372½	+3½
Next	1,600	199	+4
Sears†	410	530	-7
Slough Ests	2,900	237	+10
Smith (W.H.) A	550	485	-3
Smith & Nephew†	2,600	161	+½
SmKl Beecham†	8,700	428	-15½
SmKl Beecham Uts†	11,000	374	-15
Smiths Inds.	87	301	-2
Southern Elect.	1,600	545	+4
South Wales Elect.	588	595	+2
South West Water	387	585	+10
South West. Elect.	84	551	+7
[illegible]			
United Biscuits†	2,200	371	-5
Utd. Newspapers	75	575	-1
Vodafone†	7,100	498	+4½
Warburg (SG)†	228	802	-3
Wellcome†	2,100	731	+2
Welsh Water	89	618	+3
Wessex Water	298	633	+3
Whitbread 'A'†	2,100	557	+10
Williams Hldgs.†	1,300	331	+1
Willis Corroon	1,000	234	+5
Wimpey	565	186	+2
Wolseley†	298	640	+2
Yorkshire Elect.	788	568	+7
Yorkshire Water	102	349	+5
Zeneca†	3,000	736	-13

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Aug 16	Sep 6	Sep 20
Option Declarations:		
Sep 2	Sep 16	Sep 30
Last Dealings:		
Sep 3	Sep 17	Oct 1
Account Day:		
Sep 13	Sep 27	Oct 11

*New time dealings may take place from two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3031.2 -4.2	3468.9 +6.5	1508.51 -0.85

	Sep 9	Day's change %	Sep 8	Sep 7	Sep 6	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	3031.2	-0.1	3035.4	3038.8	3059.0	2340.9	[illegible]				
FT-SE Mid 250	3468.9	+0.2	3462.4	3470.2	3475.7	2184.5	[illegible]				
[illegible]											

Record volume in Glaxo

DRUGS group Glaxo stunned the investment community with a generous dividend payment, prompting a rush of buying that sent the shares up 27p by the close. The rise accounted for 5.32 points on the FT-SE 100 Index. It was accompanied by turnover of 24m shares, which matched the record volume and sharp share falls achieved in March when the former chief executive Dr Ernest Mario resigned.

Yesterday, Dr Richard Sykes, Dr Mario's replacement, took advantage of an increase in the company's cash pile to £1.8bn to flag his first results presentation with a dividend of 22p, against expectations of around 20p. Glaxo had previously said it would not allow dividend cover to fall below two times but yesterday's payout took cover to 1.8 times and the company said it would be prepared to see it fall further.

Analysts who had been very cautious on the stock, including the pharmaceuticals teams at James Capel and Lehman Brothers, were taken by surprise.

Capel kept its current year profits forecast at £1.92bn but raised its dividend prediction from 23p to 26p a share and moved to a hold from a sell. Lehman increased its profits forecast by £35m to £1.925bn.

Meanwhile, S.G. Warburg turned buyer and Mr James Culverwell of Hoare Govett, already a buyer on yield considerations, said: "People have overlooked the capacity for the company to pay a dividend even when the outlook is uncertain."

Glaxo shares raced ahead 40p on the news and consolidated to close at 628p.

Interest rates boost

Germany's decision to cut its interest rates, which sparked off a wave of cuts through Europe, prompted share price increases for UK companies with a big exposure to the Continent.

The boost to industry that easier lower rates will provide gave a particularly fillip to the UK's hard-pressed building industry groups. **RMC Group**, which has substantial German interests, jumped 29 to 807p. **Redland** rose 14 to 548p, **BPB** 6 to 247p and **Rugby Group** 3 to 276p.

Blue Circle Industries, also active in Europe, received an extra boost from positive interim figures and the shares gained 14 to 284 in heavy turnover of 12m. The company, which reported a 31 per cent jump in profits, said market conditions in the UK and US were improving.

Housebuilders and property groups also benefited from the hope that UK rates might now fall further. **Bellway** gained 7 to 449p, **McAlpine** 4 to 210p, **Great Portland** added 7 to 213p and **Slough Estates** 10 to 237p.

Cadbury unmoved

Good results and a cash call from **Cadbury Schweppes** left the shares steady but the market deeply divided over the confectionery group's prospects. Cadbury intends to use the bulk of the £324m to buy A&W Brands, a soft drinks manufacturer in the US, a move which complements the group's interest in Dr Pepper in which it recently took a 26 per cent stake.

While analysts were united in the view that Cadbury will take full control of Dr Pepper in the near future, thus becoming the third largest drinks group in the US, they disagreed over the logic of the group's strategy. Mr Carl Short at Strauss Turnbull said that even should Cadbury persuade Dr Pepper on the merits of a takeover, a move which would involve it having to tap shareholders for even more funds, it would still have to battle for market share against the market leaders, Coca-Cola and PepsiCo.

However, Mr Tim Potter at Smith New Court said that the Cadbury strategy was "entirely sensible" and that the company was accustomed to competitive environments the world over. "Cadbury Schweppes represents one of the best long-term investments in an otherwise dull sector," he said.

GUS surges

The continuing onward march in the share price of Great Universal Stores (GUS) – the stock has risen nearly 7.5 per cent in the past week – was prompting widespread speculation in the market yesterday. Perhaps the wildest but strongest rumour at the market opening was that the chairman of Kingfisher was resigning to join GUS as chief executive – a story hotly denied by both camps. However, it had the effect of unsettling the Kingfisher share price, which fell away sharply and failed to recover despite good news on French interest rates.

Other stories linked to GUS included speculation that its enfranchisement of its non-voting shares next month might be accompanied by a share buy-back scheme. This would not be the first time cash-rich GUS has undertaken such a move, although analysts were sceptical that it would do so just now. Another rumour suggested that an announcement on a new commercial development was imminent. GUS 'A' shares advanced 55 to 2158p. Turnover was 850,000. Kingfisher shed 9 to 647p.

BTR suffers

Turnover in international conglomerate **BTR** soared to a hefty 28m, its highest daily total since 1989, as dealers moved to sell the shares after a cautious statement accompanied the company's results.

The shares fell 17¼ to 381½p brushing a side a 10 per cent rise in first half profits to £602m, in line with market expectations, after the company said the outlook "remains uncertain " for the second half.

Analysts also suggested that there was some unease in the market about the enhanced scrip dividend alternative and the free warrant issue, both announced yesterday.

New London Stock Exchange rules likely to exclude Rothmans International and half of SmithKline Beecham from the FT-SE Actuaries Indices hit the price of the respective shares.

The changes, devised to plug an advanced corporation tax anomaly, would imply that investment funds may not automatically buy SmithKline Units or Rothmans as part of their need to get a full Footsie weighting.

Analysts said that from being 25 per cent underweight in SmithKline because of extensive US holdings in the stock, UK fund managers might in future be 50 per cent overweight. One disgruntled analyst complained that the rule changes were "hardly conducive to an orderly market."

SmithKline Beecham 'A' shares fell 15 to 374p on heavy turnover of 11m shares while Rothmans slipped 21 to 675p.

A surprise afternoon downgrade for **Courtaulds**, the chemicals group, sent the shares tumbling sharply to close 16 lower at 519p. S.G. Warburg slashed its current year forecast from £210m to £180m as analyst Mr Paul Mylchreest argued that short-term prospects were worrying particularly in the heavy chemicals arm of the business.

Stores stocks had a good session, buoyed by optimism over rate cuts and continuing reports over consumer-led recovery. **Boots** rose 5 to 498p, **Dixons** 7 to 231p after an upbeat agm and **Marks and Spencer** 5½ to 389½p.

Dull results and the resignation of the finance director left **Booker** 9 down at 432p. **Northern Foods** edged forward 1¼ to 281p. Strauss Turnbull was recommending the stock.

The day's highest volume was recorded in **Babcock International** in which nearly 29m shares were traded after the company issued a profits warning. Babcock said it expected a first half loss and would not pay an interim dividend due to higher than anticipated costs on its £400m contract to supply equipment to the Drax power station. The shares gave up 8½ to close at 31½p, just above this year's low.

Shares in **T & N** shed 4½ to 205p, following a cautious results statement along with what some in the market called "unease" about the scrip alternative it announced at the same time as the results.

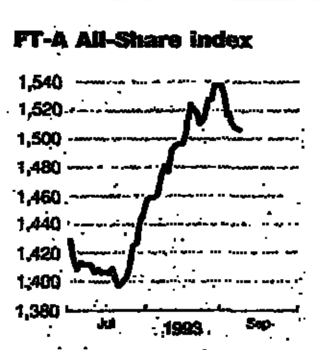
Lloyds Bank rose 10 to 555p with turnover hitting 5.7m shares on talk of a buy note from broker Kleinwort Benson and on technical considerations. Kleinwort's banking team declined to comment.

RTZ gained 7 to 725p after announcing a 15 per cent profits boost.

MARKET REPORTERS:
Christopher Price,
Peter John,
Joel Kibazo.

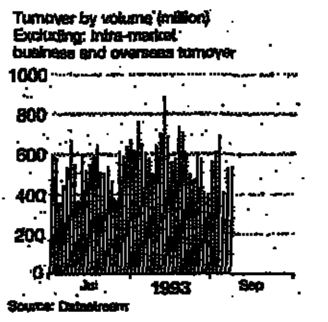
■ Other statistics, Page 23

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Source: Datastream

FINANCIAL TIMES EQUITY INDICES

	Sep 9	Sep 8	Sep 7	Sep 6	Sep 3	Year ago	* High	* Low
Ordinary share	2366.7	2372.6	2379.7	2396.8	2390.7	1707.4	2414.2	2124.7
Ord. div. yield	3.91	3.89	3.88	3.85	3.86	5.22	4.52	3.82
Earning yld % full	4.61	4.59	4.58	4.55	4.56	7.51	6.38	4.51
P/E ratio net	27.70	27.79	27.88	28.07	28.02	16.86	28.30	19.40
P/E ratio nil	25.58	25.86	25.75	25.92	25.88	15.84	28.14	18.14
Gold Mines	155.1	149.3	170.0	177.2	178.3	85.0	249.2	80.0

*For 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2367.2	2371.2	2366.3	2369.0	2376.0	2380.9	2374.7	2369.6	2367.5	2382.1	2364.5

Volume	Sep 9	Sep 8	Sep 7	Sep 6	Sep 3	Year ago
SEAQ Bargains	27,757	25,882	28,855	28,285	38,503	16,387
Equity Turnover(£m)†	-	1271.9	1352.3	811.4	1489.5	900.9
Equity Bargains†	-	29,787	29,927	32,375	43,902	18,942
Shares traded (ml)†	-	546.0	537.4	402.0	694.4	396.0

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (135). BRITISH FUNDS (16) BREWERS (3) Matthew Clark, Wetherspoon (JD), Whitbread, BLDG MATLS (8) Blue Circle, Cape, Erith, Gibbs Dandy, Heywood Williams, Mandors, Marshalls [illegible] ... Lels., GUS, Do A, TEXTS (4) Albion, Coats Viyella, Hicking Pentecost, Usher (F), TRANSPORT (3) Natl. Express, Norex, P & O 5½pc Pf., WATER (2) East Surrey, South Staffs.

NEW LOWS (28). BRITISH FUNDS (5) AMERICANS (2) Bethlehem Steel, Bowater Inc., CANADIANS (2) Brookwater Res., Nova Corp. of Alberta, BREWERS (1) Macallan-Glenlivet, ELECTRONICS (3) Borland Intl., Hewlett-Packard, ENG GEN (1) Babcock, HEALTH & HSEHOLD (2) Baxter Inc., Kynoch, HOTELS & LEIS (1) First Leis., INV TRUSTS (1) China Inv., MEDIA (2) Blenheim, Do 6.4pc Pf., OIL & GAS (1) Sunrise Energy, OTHER INDLS (1) AAF, PACKG, PAPER & PRINTG (3) Clondalkin, Elswick, SCA, MINES (1) Devex.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or –	1993 high	1993 low	Yield Int.
"Shorts" (Lives up to Five Years)						
Treas 13¼pc 1993‡‡		101⅝	-⅛	105⅜	101½	13.54
8½pc 1994		101⅛	.....	102⅝	101⅛	8.41
14½pc 1994‡‡		104⅜	-⅛	109¼	104⅜	13.92
Exch 13½pc 1994		104⅝	-⅛	109⅜	104⅝	12.88
Treas. 10pc Ln. 1994‡‡		103⅜	-⅛	105⅝	103⅜	9.69
Exch 12½pc 1994		106⅝	-⅛	110⅜	106⅝	11.75
Treas 9pc 1994‡‡		103⅝	.....	105⅝	103⅝	8.66
12pc 1995		108⅜	-⅛	111⅝	108⅜	11.08
Exch 3pc Gas 90-95		96⅝	.....	97	94	3.10
10¼pc 1995		107⅝	-⅛	109⅝	107⅜	9.50
Treas 12¾pc 1995‡‡		114	-⅛	116⅝	113⅝	11.18
14pc 1996		117⅝	-⅛	120⅝	117⅜	11.90
15¼pc 1996‡‡		122⅝	-⅛	125⅝	121⅝	12.46
Exch 13¼pc 1996‡‡		117⅝	-⅛	120⅛	116½	11.26
Conversion 10pc 1996		111	-⅛	111½	108⅝	9.01
Treas 13¼pc 1997‡‡		129⅝	-⅛	122⅜	118⅝	10.97
Exch 10½pc 1997		113xd	-⅛	113⅝	110⅜	9.29
Treas 8¾pc 1997‡‡		109⅝	-⅛	109	105½	8.05
Exch 15pc 1997		130⅜	-⅛	132⅝	127⅝	11.51
9¾pc 1998		112⅝	-⅛	112⅝	109⅛	8.67
Treas 7¼pc 1998‡‡		103¼xd	-⅛	103⅝	98⅝	6.98
7¼pc 1998 B‡‡		58⅛	-⅛	58⅝	54½	6.09
Treas 6¾pc 1995-98‡‡		100⅝	.....	101¼	97⅝	6.69
14pc '98-1		128⅝	-⅛	129½	125⅛	10.86
[illegible]						
10pc 2001		118⅝	-¼	118⅝	106⅝	8.46
7pc '01 (£57¼ P/Pd)‡‡		61⅝	-⅛	61⅝	57⅝	6.89
9¾pc 2002		118⅝	-¼	119⅛	108⅝	8.21
8pc 2003‡‡		108⅝	-⅛	108⅝	97⅝	7.38
8pc 2003 A‡‡		108⅝	-⅛	108⅝	102⅝	7.38

BRITISH FUNDS - Cont. [illegible]

OTHER FIXED INTEREST [illegible]

Continued on next page

EQUITY FUTURES AND OPTIONS TRADING

A MIDSESSION boost given to the derivatives market by the reduction in German interest rates soon faded as dealers once again decided to go in for profit-taking, writes Joel Kibazo.

In futures, early selling of the September contract on the FT-SE 100 saw it drift lower to the 3,026. This proved to be a solid support level and September traded just above that level until the Bundesbank's reduction in interest rates.

That announcement appeared to surprise the market and the ensuing demand developed into a squeeze that sent the contract to a day's high of 3,057.

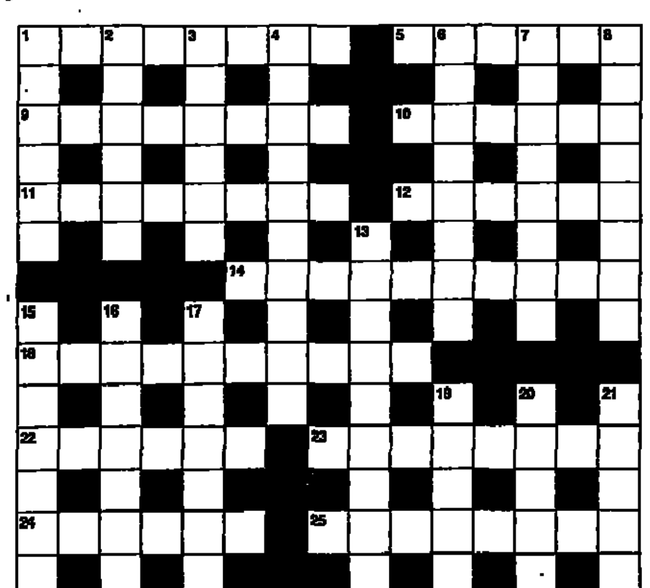
However with a feeling that UK base rates were unlikely to be reduced in the near future, together with caution about the US markets with the current weakness in the dollar, traders chose to consolidate earlier gains.

September drifted lower for the rest of the day and closed at 3,039, just a point ahead of its opening level and at an 8 point premium to the underlying cash market. Volume was particularly heavy with a substantial amount generated by rolling forward from September to December. Some 14,864 contracts were dealt in the near month contract and just over 4,000 traded in December.

Strong activity continued in the traded options and total turnover reached 41,557 lots, though volume in the FT-SE 100 option fell to 10,188 contracts.

CROSSWORD

No.8,250 Set by ADAMANT

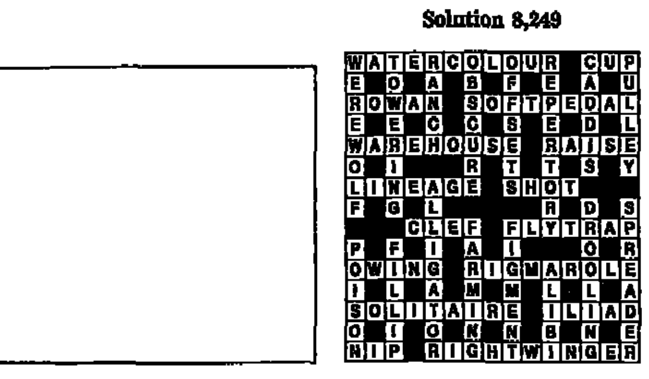


ACROSS
1 Begin to take the lead – that's swell! (5,3)
5 Try to remove a little bit of fat (6)
9 Made a show of preferring camp (8)
10 Fashionable doctor accepts society will lay siege (6)
11 A gift she mislaid in the main struggle (3-5)
12 Take the wind out of one's sails! (6)
14 Political moderate absorbed everything the rest rejected at finance centre (4,6)
18 It provides information on for example scan we ordered in New York (4,6)
22 Crowd players not originally budgeted for? (6)
23 Travelling theatre to present Fledermaus in the round? On the contrary! (8)
24 The forcefulness of another green year (6)
25 Rant about umpires over sale of player (8)
26 Having taken the exam, got ready to drive round the road (6)
27 Put off having iron car? Indeed! (8)

DOWN
1 Thinly scattered sulphur in emergency tyre (6)
2 It takes a fellow to unravel the brawl (6)
3 To convert the attic, see, is sound manoeuvre (6)
4 Hospital arrest few deformities with new-fangled elixir (5,5)
6 What's inside gives pleasure (8)
7 Got mean reading about a grave journalist (8)
8 Value the property at about one million (8)
13 It's a nightmare! (5,5)
15 Cash from one's hobby (8)
16 Babbles on about village women in race to upset the rest (8)
17 Leading architect telephoned with exterior colour for imposing address (8)
19 Momentary pain felt by one in two at general election (6)
20 Talk about a fir tree without one (6)
21 Having been put aside, rushed into second day (6)

JOTTER PAD

Solution 8,249



LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Europa Minls	♣◻	35	-1	42	15	16.9	-
Glencar Expl IE	‡‡	12	——	12	6	2.22	-
Greenwich Res	♣◻	13½	——	22¼	5	10.6	-
Hemlo Gold C$		95⅞	+⅛	95⅞	63½	544.3	1.6
Ivernia West IE	‡‡◻	42	——	57	31	21.1	-
Kells Minls IE	‡‡	14	——	14	6	0.34	-
Kenmare	♣◻	8¾	-½	13½	6	8.76	-
Mallaga Res.		11½	+2	35½	7½	1.27	-
Nevan Res IE	♣	95	-3	102	25	16.3	-
Spc Ln Notes		92⅞	——	95¼	25	16.7	-
Oryx Gold		70¾	——	70¾	47	-	-
‡‡Ovoca Res IE		8	——	8	3½	0.56	-
RTZ	♣‡N◻	725	+7	748	607	7,706	3.7

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated seperately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

◻ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
φ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
※ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
¤ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on MMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. *The price at which units are sold back by* investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. *Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.*

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward *pricing at any time.*

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF						081-663 3063
European Trust	6	55.81	55.87	59.54	-0.34	1.87
Far Eastern Tst	6	67.46	60.34xd	72.71	+0.2	0.32
Smaller Cos	6	169.7	174.6xd	185.8	—	1.53
Smith & Williamson Unit Tst Mgrs (1700)F						
1 Riding House St, London W1A 3AS						071-637 5377
S & W Americas ‡	5	267.8	268.1	283.7	-4.2	0.55
S & W Capital	5	124.2	124.2xd	132.2	-0.7	1.51
S & W Cash ‡	0	102.04	102.04	102.04	+0.01	5.41
S & W European	6	119.3	119.3	128.2	-1.8	0.81
S & W Far Eastern	6	159.4	161.2	170.8	-1.1	0.00
S & W Growth	6	133.7	135.4xd	143.2	-0.5	1.58
S & W Income	5	121.4	122.5xd	129.6	-0.3	4.66
S & W Magnum	5	130.9	130.9	140.4	-0.8	1.44
S & W Smllr Secs	6	341.1	348.2	368.4	+0.2	0.56
S & W Thoroughbred	5	153.4	153.4xd	164.6	-0.9	1.41

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Providence Capital Life Assc. Co Ltd - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Group Pension Funds				
Equity Acc	1186.5	1192.8	-9.8	–
Fixed Interest Acc	955.0	984.8	+10.7	–
Managed Acc	175.8	179.2	-0.8	–
Alpha Funds				
UK Alpha		227.3	+0.1	–
US Alpha		106.9	-0.8	–
Gilt Alpha		90.2	+0.1	–
Gold Alpha		60.1	-1.2	–
Japan Alpha		46.4	-0.7	–
US Dollar Alpha		71.1	-2.4	–
Yen Alpha		79.2	-3.2	–
D-Mark Alpha		80.3	+3.3	–
European Alpha		90.4	-0.8	–
Alpha Pension Funds				
UK Alpha		242.7	+0.1	–
US Alpha		120.0	-1.3	–
Gilt Alpha		91.3	+0.2	–
Gold Alpha		61.1	-1.3	–
Japan Alpha		45.9	-0.7	–
US Dollar Alpha		73.8	-3.4	–
Yen Alpha		81.3	-3.9	–
DM Alpha		90.0	+3.8	–
European Alpha		93.9	-0.8	–

†Weekly dealings. *Fortnightly dealings

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

John Govett (Channel Islands) Ltd (1000)F

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd (1400)F

Standard Bank Fund Mgmt (Jersey) Ltd

TSB Trust Funds (CI)

Bank Von Ernst & Cie AG - Contd.

Banque Scandinave a Luxembourg SA

Barclays Diversified Portfolio

Barclays Inv Funds (Luxembourg)

CMI Asset Management (Luxembourg) SA

INVESCO International Limited - Contd.

Jupiter Tyndall Global Fund

Latin American Securities Ltd

Atlantas Sicav

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

Nomura Rosenberg Alpha Fund Mark II

Castrade ITEC Fund Management

Capital International

Cathay Clemente (Holdings) Limited

Chameleon Funds Limited

The China Fund

Hasenbichler Asset Management GmbH

Hanseatic Hldgs NV Curacao

The India Magnum Fund NV

Indian Opportunities Fund Ltd

Indosuez Asia Invest Services Ltd

Pacific Growth Fund

Pakistan Fund

Pequot International Fund Inc

Philippine Income Fund Inc

Portuguese Investment Fund Ltd

Putnam International Advisers Ltd

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Another fall for dollar

THE DOLLAR fell sharply against the D-Mark yesterday, losing more than two pfennigs, in spite of the Bundesbank's decision to ease its discount rate by ½ a percentage point, *writes James Blitz.*

A few months ago, it would have been extraordinary to see the US currency fall so far on the same day as a sharp ease in Bundesbank monetary policy sharply. But the mood towards the dollar has changed radically in the last two weeks and more than a few analysts wonder whether the currency now has a strong downside.

The dollar fell to a low of DM1.5928 and closed at DM1.5970 from a previous DM1.6190.

The dollar may have depreciated because yesterday's Bundesbank move appears to have been well discounted by some dealers. Less well informed players may have been surprised that the US currency did not rise on the German move, and panicked.

But, in the background, lie all the factors that make dollar appreciation hard to envisage in the short term. Fund managers who thought this would be the "year of the dollar" are heavily overweight in the currency; there is a growing belief that the German recession has bottomed out; and, above all, there has been disappointment in recent US economic indicators.

Mr Jim O'Neill, head of research at Swiss Bank, believes that DM1.58 to the D-Mark is a done deal. "If we don't get a quick bounce up after that, all the medium term players will panic and you will see it go a lot lower," he said.

Currencies in the exchange rate mechanism were braely helped by the German move. The french franc closed at FFr3.525 from a previous FFr3.519. The Danish krone fell to a close of DKr4.155 from a previous DKr4.130. The Belgian franc closed at BFr21.75 from a previous BFr21.76. The weakest and strongest currencies were divided by 9.21 per centage points at the close, a new record since the August currency crisis.

There was no sign yesterday that Europe was decoupling from German monetary policy. But the weakness in European currencies may have been due to a perception that France, Belgium and Denmark were no longer doggedly pursuing a high interest rate policy to defend their currencies.

Sterling tried to break through the DM2.50 level on news of the German rate cut, as dealers took the view that lower rates in Europe gave a better-looking premium to the pound. But the pound failed to do so and, in a fate similar to the dollar's, fell sharply to close at DM2.4775 from a previous DM2.4950.

The move surprised some dealers. The Confederation of British Industry had reported another increase in retail sales in August earlier in the day, following similar improvements in June and July – and added that this was accompanied by the lowest year-on-year rise in shop prices in ten years.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 9	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.14049	-2.56	9.20	-
D-Mark	1.94964	1.90462	-2.31	8.92	-
Spanish Peseta	154.250	155.071	0.53	5.84	-4
Irish Punt	0.808628	0.820080	1.42	4.91	-10
Portuguese Escudo	192.854	196.305	1.79	4.53	-12
French Franc	6.53883	6.72718	2.88	3.42	-24
Belgian Franc	40.2123	41.5316	3.28	3.02	-24
Danish Krone	7.43679	7.91279	6.40	0.00	-44

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5365 - 1.5550	1.5505 - 1.5515	0.38-0.35cpm	2.76	1.86-1.81pm	4.73
Canada	2.0255 - 2.0470	2.0400 - 2.0410	0.28-0.19cpm	1.32	0.58-0.46pm	1.02
Netherlands	2.7785 - 2.8095	2.7800 - 2.7900	⅛-¼cdis	-0.81	⅛-⅜dis	-0.36

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 4⅛-4¼ per cent; four years 4⅝-4½ per cent; five years ... Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep 9	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.551	2.478	162.5	8.735	2.173	2.785	2395	2.041	53.90	201.4	1.315
$	0.645	1	1.598	104.8	5.632	1.401	1.796	1544	1.316	34.75	129.9	0.848
DM	0.404	0.626	1	65.58	3.525	0.877	1.124	966.5	0.824	21.75	81.28	0.531
YEN	6.154	9.545	15.25	1000.	53.75	13.37	17.14	14738	12.56	331.7	1239	8.092
F Fr.	1.145	1.776	2.837	186.0	10.	2.488	3.188	2742	2.337	61.71	230.6	1.505
S Fr.	0.460	0.714	1.140	74.78	4.020	1	1.282	1102	0.939	24.80	92.68	0.605
N Fl.	0.359	0.557	0.890	58.35	3.136	0.780	1	860.0	0.733	19.35	72.32	0.472
Lira	0.418	0.648	1.035	67.85	3.647	0.907	1.163	1000.	0.852	22.51	84.09	0.549
C $	0.490	0.760	1.214	79.62	4.280	1.065	1.365	1173	1	26.41	98.68	0.644
B Fr.	1.855	2.878	4.597	301.5	16.21	4.032	5.167	4443	3.787	100.	373.7	2.440
Pta	0.497	0.770	1.230	80.69	4.337	1.079	1.383	1189	1.013	26.76	100.	0.653
Ecu	0.760	1.179	1.884	123.6	6.643	1.652	2.118	1821	1.552	40.99	153.2	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE ... LIRA 1,000m points of 100%

	Close	High	Low	Prev.
Sep	90.93	91.10	90.82	90.80
Dec	91.79	92.00	91.67	91.66
Mar	92.44	92.50	92.37	92.38
Jun	92.72	92.75	92.64	92.65

Estimated volume 12438 (4217)
Previous day's open int. 94135 (94284)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Sep	3039.0	3057.0	3026.0	3039.0
Dec	3060.5	3075.0	3047.5	3060.5
Mar	3074.5			3074.5

Estimated volume 21436 (15681)
Previous day's open int. 57275 (55969)

* Contracts traded on APT. Closing prices shown. Due to technical problems at LIFFE, figures for the 7/9/93 were incorrectly repeated in the 9/9/93 editions

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls October	Calls December	Calls March	Puts October	Puts December	Puts March
121	-	-	-	0.02	0.31	-
122	0.66	-	-	0.12	0.55	-
123	0.22	1.18	-	0.38	0.94	-
124	0.07	0.69	-	-	1.47	-
125	0.02	0.39	2.83	-	-	-
Open Int	53,619	170,142	25,660	35,429	148,415	18,643

Estimated volume 53,662 † Total Open Interest 452,208
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5510	1.5475	1.5406	1.5327	1.5195

MONEY MARKETS

A gloomy mood

THE BUNDESBANK'S ½ percentage point cut in its official interest rates yesterday did not generate an expectation of further German easing in European cash and futures markets, *writes James Blitz.*

The German central bank cut its discount and Lombard rates by ½ a percentage point to 6.25 per cent and 7.25 per cent respectively. More importantly, the repo rate was cut by 6.70 per cent for next week's money market operation, re-establishing a differential of around 50 basis points between the repo rate and the official rate floor.

UK clearing bank base lending rate
? per cent
? from date

Yesterday's move was followed by a succession of official rate cuts across Europe. But the surprise was that cash and futures markets were downbeat at the news.

The September Euromark contract dropped 3 basis points to close at 93.48, because the repo cut will make little difference to the cost of 3 month D-Marks by the time the contract expires next week. The December contract dropped 6 basis points to close at 94.06.

It may be that dealers saw yesterday's moves as purely technical, leaving little hope for interest rate cuts over the next six weeks. The move may also have been heavily discounted by German money market dealers who, on Wednesday, accepted surprisingly few repo bids at the prevailing rate of 6.80 per cent in money market operations.

Conditions in the German market were very tight yesterday, with call money still hovering at 7.52 per cent. Some institutions will be able to borrow cash from the Bundesbank at the new discount rate today.

In France, the cut in the 5-10 day lending rate to 7.75 per cent was seen as a disappointment because it only provides the rate ceiling. The December French franc contract had peaked at 94.13 when the Bundesbank news came through but fell back to close at 93.98.

Sterling interest rate futures fell sharply after Mr Howard Davies, the director of general of the CBI, was reported as saying that the UK did not need a rate cut now. The December contract fell 6 points to close at 94.36.

Conditions in the cash market were very easy after most of a £2.4bn shortage was removed in the early round of dealing. Three month money fell 1/16 per cent to close at 5⅞ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep 9) 3 months US dollars		6 months US Dollars	
bid 3 7/16	offer 3 9/16	bid 3¼	offer 3⅜

MONEY RATES

LONDON MONEY RATES

BASE LENDING RATES

Bank	%	Bank	%	Bank	%
Adam & Company	6	Cyprus Popular Bank	6	NatWestminster	6
Allied Trust Bank	6	Duncan Lawrie	6	Nykredit Mortgage Bnk	6.5
AIB Bank	6	Equatorial Bank plc	6	●Rea Brothers	6
●Henry Ansbacher	6	Exeter Bank Limited	7	*Roxburghe Bank Ltd	6
B & C Merchant Bank	13	Financial & Gen Bank	7	* (in administration)	
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6	Mount Banking	6		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES - Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close September 9

Quotations in cents unless marked $

MONTREAL

4 pm close September 9

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

TOKYO - Most Active Stocks

Thursday, September 9, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	8.0m	342	-18	Kobe Steel	4.0m	300	-8
Nikkatsu	6.2m	23	-1	Ga-Jo-En Kanko	2.9m	198	+4
Nado Kyodo	5.3m	497	-13	NKK Corp	2.7m	294	-5
Daiei Inc	5.1m	1,500	+80	Sankyo Co	2.5m	2,790	-80
Fujitsu	5.0m	837	-7	Mitsubishi Hvy	2.5m	675	+4

3:30 pm September 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	662	170	13⅜	13	13¼	+⅛
29⅞	13¾	A L Labs A	0.18	1.0	36	334	18⅜	18¼	18¼	-¼
66⅛	54⅝	AMP Inc	1.60	2.4	23	1875	65¾	65¼	65¾	
72¾	55½	AMR			16	4757	64½	63½	63⅞	
3⅜	1¾	ARX			12	110	3½	3	3⅛	+⅛
51½	29⅞	ASA	2.00	4.9	26	1158	40⅝	40⅛	40⅝	+⅞
30¾	22⅝	Abbott Lab	0.68	2.6	16	8330	26¼	25⅞	26⅛	+⅛
12⅝	9¼	Abitibi Pr	0.50	5.4	4	7	9⅜	9¼	9¼	
15¼	8¼	Acpincein			42	17	13⅝	13½	13½	-⅛
36	25½	ACE Ltd	0.40	1.2		1802	34¼	34	34⅛	-¼
12	10¾	ACM Gvt In x	0.96	8.6		106	11¼	11⅛	11⅛	
10	9⅛	ACM GvOpp x	0.80	8.3		41	9¾	9⅝	9⅝	-⅛
9⅞	8¾	ACM Gvt Sp x	0.80	8.5		150	9½	9⅜	9⅜	-¼
11⅝	10½	ACM Gvt Se	0.96	8.6		1378	11¼	11⅛	11⅛	
11⅝	9⅝	ACM Man x	1.08	9.4		107	11½	11⅜	11½	
9⅜	8⅝	ACM Managd x	0.72	7.8		161	9¼	9⅛	9¼	
12⅜	7¾	Acme Cleve	0.44	5.0	11	464	8⅞	8⅝	8¾	+¼
9¼	6½	Acme Elect			49	32	6⅞	6¾	6⅞	
27⅝	18⅜	Acordia	0.44	1.6	15	35	27⅛	27	27	-¼
18	10⅜	Acuson			32	73	11⅞	11¾	11¾	-⅛
21¾	18	Adams Expr	0.48	2.4	1	121	19⅝	19⅜	19⅝	+⅜
68¼	45½	Ad Micro	3.00	5.1		664	58	57½	58½	+½
32¾	17⅝	Ad Micro P	3.00	10.9	10	10736	28⅛	27⅛	27⅝	+¼
7¾	5½	Advest Grp	0.16	2.3	12	15	7	7	7	+⅛
24¾	16⅛	Advo Inc	0.08	0.5	18	20	16¾	16½	16¾	
49¾	41⅛	Aegon ADR	1.23	2.5	10	498	48¾	48⅛	48¾	+¾
60½	43⅜	Aetna Li	2.76	4.6	41	1126	59⅝	59¼	59⅝	
14½	11½	AMR A	0.28	1.9	39	731	13⅞	13¾	13¾	-⅛
34	26	Aflac	0.40	1.3	15	1029	32⅛	31¾	31⅞	-¼
22⅛	16¾	Ahmanson	0.88	4.4	8	1889	20¼	19⅞	20⅛	+¾
7¾	3⅞	Aileen Inc			5	100	4⅛	4	4⅛	+⅛
49½	24⅞	Air Pr Chm	0.92	2.3	16	2507	41½	40⅜	40⅝	-1⅛
[illegible]										

Continued on next page

3:30 pm September 9

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
22	15½	S Anita Rt	1.36	7.8	15	56	17½	17⅜	17⅜	+⅛
20¾	14⅞	SCOR US Cp	0.32	2.0	185	47	15⅝	15½	15⅝	
29¾	20	SPS Techno	1.28	4.6	20	4	28⅛	27¾	27¾	-⅛
14⅞	12⅞	Sabine Rt x	1.74	12.0	10	52	14⅝	14½	14½	+1½
13⅜	8⅞	Safecard	0.20	1.7	11	570	12	11¾	11⅞	-⅛
29½	16⅞	Safeg'd Sc			9	253	20⅞	20½	20½	-½
24¾	14⅞	SafetyKln	0.36	2.2	25	1270	16⅞	16	16¼	+⅛
19¾	10⅞	Safeway			29	1636	19⅛	18⅞	19	+⅛
4¼	2	SafewayW96				258	u4¼	4⅛	4⅛	
55	37½	StJoePaper	0.20	0.4	143	62	48¾	47½	48¾	+¾
37⅞	31	StJoeL&P	1.76	4.8	14	6	37¼	36⅞	36⅞	-⅜
94	75	St Paul's	2.80	3.1	14	167	91¼	90½	90⅞	-¼
11⅜	7⅞	Salant Crp			4	10	8⅞	8⅝	8⅝	-⅛
75¼	38⅞	Sallie Mae	1.20	2.7	9	2576	45¼	44½	45	-⅛
14¾	13	Salomon Br	0.32	2.3		120	13¾	13⅝	13⅝	
51⅞	34	SalomonInc	0.64	1.3	12	2883	51⅛	50⅝	51	+⅜
27¾	23¼	SanDgo G&E	1.48	5.5	14	441	27	26¾	26¾	-⅛
4⅞	3½	SantaFeEDu	0.40	10.3	38	10	3⅞	3¾	3⅞	+⅛
11⅞	9⅛	SantaFeERs	0.16	1.7	481	377	9¾	9½	9⅝	+⅛
40¾	35¾	SantaFePac	2.80	7.3	13	92	38⅜	37⅞	38⅜	+⅛
19	12¾	SantaFPac	0.10	0.6	11	2436	18	17⅝	17¾	-¼
31⅛	21	Sara Lee	0.58	2.3	18	5079	25⅝	25⅝	25⅝	-¾
51⅞	40⅛	Scana Corp	2.74	5.3	15	417	51½	51	51¼	+⅛
25⅞	21½	Scecorp	1.42	5.7	15	4420	25¼	25	25⅛	-⅛
38⅞	29⅞	SchererRP			23	398	28½	28⅛	28¼	-½
70⅞	51¾	ScheringPl	1.80	3.0	15	2761	61	60	60¼	
68⅞	21⅞	Sch'berger	1.20	1.9	24	3358	65⅛	64¼	64⅞	
34	16½	Schwab(C)	0.20	0.6	18	1513	32¼	31⅞	32	-1
7¾	5⅝	Schweitzer			44	97	7½	7⅛	7½	+¾
37⅞	17¾	ScientAtn x	0.12	0.3	56	567	37¼	36⅛	37⅛	+½
13⅞	9⅛	Scotman	0.10	0.7	14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

NASDAQ NATIONAL MARKET

4 pm close September 9

[illegible]

AMEX COMPOSITE PRICES

3:30 pm September 9

[illegible]

AMERICA

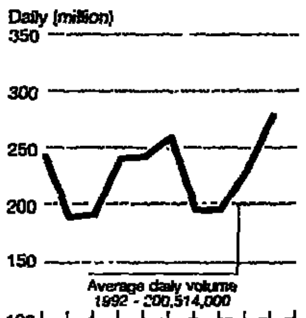
Jobless data help Dow to make progress

Wall Street

BETTER-than-expected economic news helped US stock markets rebound from two days of heavy selling yesterday, and by early afternoon share prices were mostly in positive territory, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 4.19 at 3,593.12. The more broadly based Standard & Poor's 500 was 1.18 higher at 457.83, while the Amex composite was up 1.93 at 453.01, and the Nasdaq composite up 5.75 at 736.48. Trading volume on the NYSE was 142m shares by 1pm.

NYSE volume



After Tuesday and Wednesday's big declines, the selling pressure in the markets appeared to have been exhausted. Sentiment was aided by some rare good news on the economy: weekly jobless claims fell 10,000 in the first week of September, to 316,000, the lowest level seen since June 1989.

Overseas news was also positive for stocks. The Bundesbank cut German interest rates, prompting similar rate reductions by other European central banks.

Lower rates in Europe are viewed as bullish for US equities because they will stimulate growth in European economies and boost demand for US exports.

Once again, investors ignored events in the bond market, where three days of big gains and rumours that congress was considering imposing a tax on foreign holdings of US government securities, sparked off heavy profit-taking. By early afternoon the yield on the benchmark 30-year issue had risen to 5.927 per cent.

Among individual sectors, bank stocks, which have returned to favour after a short period in the doldrums, were once again in demand. Chemical rose $1⅜ to $42⅝, JP Morgan climbed $2 to $77⅞, Citicorp added $1⅛ at $35, and Chase Manhattan firmed $⅜ to $36.

UAL rose $2¾ to $143¾ on news of an improvement in August traffic figures. Other airline stocks gained in sympathy, with AMR, parent of American, up $¾ at $64⅛. Delta up $½ at $52⅞, USAir, up $¾ at $13⅞.

Glaxo ADRs jumped $1¼ to $19⅝ on news of a 17 per cent improvement in fiscal 1993 earnings.

On the Nasdaq market, leading technology stocks led the way higher, with Intel up $1½ to $64¾ and Microsoft up $1¼ to $75¾.

Canada

TORONTO rose at midday as all but one index posted gains before an expected period of consolidation.

The TSE 300 composite index gained 54.30 at midday to 4,007.17 in turnover C$382.4m.

SOUTH AFRICA

GOLD shares recouped some of the week's steep loss as the bullion price firmed, the index advancing 77 to 1,553. Amgold gained R25 at R272.

Industrials slipped 14 to 4,512 and the overall index moved ahead 37 to 3,841.

Putting some numbers on David and Goliath

Peter Martin on new stock indices that show the relative performance of large and small companies

Since the 1987 stock market crash, there have been some striking differences in the share price movements of the biggest companies and their medium and smaller-sized rivals.

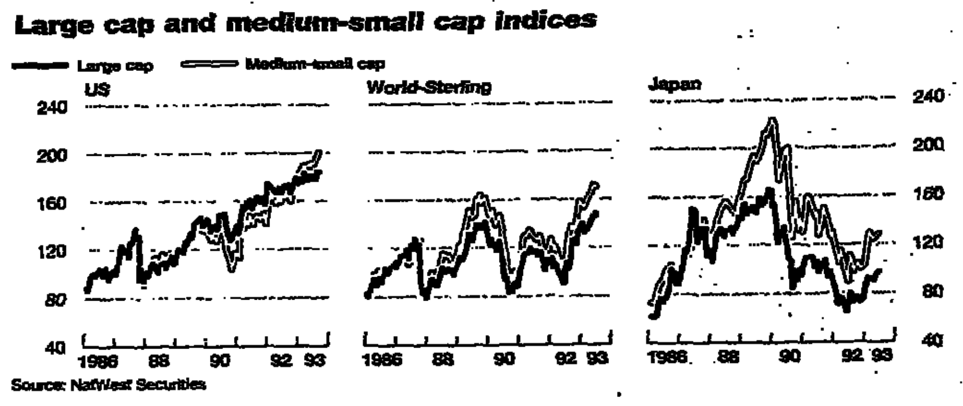
This trend is highlighted by new Large Cap and Medium-Small Cap series which are being calculated from this week as part of the FT-Actuaries World Indices. The new indices are calculated by Goldman Sachs and NatWest Markets, who produce the World Index series in conjunction with the FT and the UK's Institute and Faculty of Actuaries.

The new indices split companies in the FT-Actuaries World Indices by market capitalisation. The Large Cap series covers companies that make up the largest 75 per cent of each country's market capitalisation. The Medium-Small Cap series, covering the remaining 25 per cent, provides performance information on the medium and smaller-size companies within each country.

The chart of the overall World Large Cap and Medium-Small Cap indices shows the new indices moving closely in parallel in the years immediately before the 1987 stock market crash. After that, there was a period of sustained underperformance by the largest companies. Then, from the summer of 1990, larger companies did better. From the end of that year the two indices moved sideways, in relative terms, before a pick-up in the smaller companies' index from the beginning of 1993.

Although, in very broad terms, this pattern is shared by most of the individual countries that make up the World index, there are big differences in how extreme the movements have been. In the US, for example, the outperformance by smaller companies after 1987 was less than in the world as a whole, and the subsequent underperformance by this group was much larger. The relative recovery by the US Medium-Small Cap index started sooner, however, and has gone further than in the world as a whole.

Large cap and medium-small cap indices



Source: NatWest Securities

In Germany, smaller companies outperformed consistently throughout 1986-1990, and since then the reversal of trend has been weak. There has been little sign, as yet, of a reversion to outperformance by smaller companies.

In Japan, as the chart shows, there was a brief period of outperformance by larger companies in late 1986 and early 1987. Since then, however, the pattern has been similar to that in Germany: small-company outperformance until 1990, followed by weak outperformance by larger companies, with little sign of the market switching back to favouring smaller ones.

There are a number of possible reasons for differences in the relative performances of companies of different size. In general, small companies are more exposed to the performance of the domestic economy than their larger rivals, and less subject to the impact of currency movements. They are also more vulnerable to recession. Periods of localised economic hardship are thus more likely to affect small companies than larger ones.

Investors have better information about larger companies, and the markets in their shares are typically more liquid. International investors, in particular, often concentrate only on the very largest companies within any individual economy, so in those markets where swings in international investor sentiment are important, this may translate into differential performance by larger companies.

It is hoped to publish a weekly summary of the performance of the Large Cap and Medium-Small Cap indices in the FT, probably each Monday. Publication will start once the necessary technical arrangements have been made.

Further details of the two indices can be obtained from Mark Zurack and Barbara Mueller of Goldman Sachs in New York (tel: 212-902 6777) and Symon Bradford of NatWest Securities in Edinburgh (tel: +44 (0)31-243 4256).

EUROPE

Bourses differ in reaction to cut in German rates

THE Bundesbank's rate cut had generally been anticipated and bourses saw a mixture of performances, *writes Our Markets Staff.*

FRANKFURT responded to the news from the Bundesbank with a slight fall, which some traders attributed to the strengthening of the D-Mark against the US dollar. The DAX index ended the session off 4.48 at 1,880.81, and in the post-bourse slipped to 1,870.53. Turnover dropped to DM6.8bn from DM7bn.

The market has been undergoing a correction since hitting a peak at the end of last month, which came at the end of a three-month rally in equities.

Mr James Cornish, European strategist at NatWest Securities in London, remained positive on the outlook for the German market, both in the short and long term. With economic fundamentals showing signs of improvement and expectations that recovery was underway, he said, the prospect for corporate earnings looked good through 1994 and 1995. He remained fully weighted in the German market, he said.

Among the stocks, Daimler lost DM9 to DM718.50, Siemens fell by DM2 to DM658 and Volkswagen by DM2.10 to DM360.80.

PARIS was disappointed by the lack of a cut in the intervention rate, in spite of an easing in the 5-10 day rate. The market is looking for the authorities to make a move on the former by Monday at the latest.

The CAC-40 index, which at one point had risen to 2,146, closed down 20.69 or 1 per cent at 2,108.75. Turnover was moderate at FFr4.6bn.

The recent batch of disappointing corporate results was also affecting investor sentiment.

There were some large falls among index stocks, with Legrand down FFr269 or 5.5 per cent at FFr4,625 ahead of interim results which are due today.

Canal Plus lost FFr57 or 4.4 per cent to FFr1,248 on a brokers downgrade, while dollar weakness affected the likes of Rhône Poulenc, off FFr5.10 to FFr147, and Euro Disney, down FFr1.80 at FFr62.35.

AMSTERDAM rose slightly after several days of declines, the CBS Tendency index up 0.6 at 124.5.

Amev gained FL 3.30 to Fl 72.50 after parent group Fortis issued good half year results, while Bols Wessanen lost 20 cents to Fl 42.00 on disappointing interim profits.

ZURICH registered some disappointment at the absence of a cut in Swiss interest rates and the SMI index fell 15.8 to 2,382.1.

Nestlé registered shares eased SFr2 to SFr1,070 in spite of a 6 per cent rise in first half consolidated net profits, which was at the top end of expectations.

MILAN clawed its way back from a weak opening after the Bank of Italy cut the discount rate and the Comit index finished 1.54 easier at 592.64.

The market had opened under pressure from a flood of sales by individual investors following local press reports, later denied by the finance minister, that the government was considering reintroducing capital gains taxation on share trades.

The Bank of Italy's move on rates came as little surprise in the wake of the German reduction, although many investors had expected the authorities to hold back an announcement until the government won parliamentary approval for its 1994 budget plans in a vote expected after the market had closed.

Among banks, San Paolo attracted a number of large buy orders which took the price L900 or 8.7 per cent higher to L11,190.

Ferruzzi continued on its idiosyncratic way, climbing another L45 or 9.9 per cent to L497.75, for a rise this week of 46 per cent.

STOCKHOLM strengthened during the session with the Affärsvärlden general index rising 9.7 to 1,281.8 in turnover fo SKr1.4bn.

ATHENS fell 6.9 per cent as it became clear that the government had, after all, lost its majority in parliament and an early election was called. The general index fell 59.3 to 801.85.

Mr Stuart Harley of Schroders in London said: "Over the longer term, the economic fundamentals will not change greatly, irrespective of who is in power. There is bound to be nervousness and the market will fall further, but that will provide opportunities for investors to start buying selected stocks again."

● **The FT-SE Eurotrack indices committee yesterday approved the following constituent changes to the FT-SE Eurotrack 100 index, to take effect on Monday, September 20. Additions: Nokia (ordinary), AG Finance, Delhaize, Sandvik A. Deletions: Montedison, Gambro B, Ciba Geigy (bearer), Banca di Roma.**

FT-SE Actuaries Share Indices

September 9 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1265.78	1267.81	1268.95	1273.43	1273.12	1268.54	1262.56	1265.95
FT-SE Eurotrack 200	1361.18	1362.54	1363.25	1369.63	1368.98	1363.15	1358.70	1362.52

	Sep 8	Sep 7	Sep 6	Sep 3	Sep 2
FT-SE Eurotrack 100	1266.53	1277.38	1284.01	1293.60	1302.75
FT-SE Eurotrack 200	1363.68	1365.81	1371.90	1384.27	1385.48

Base value 1000 (26/10/90) High/day: 100 - 1278.73; 200 - 1375.40 Low/day: 100 - 1261.97 200 - 1357.28.

ASIA PACIFIC

Nikkei lower as Manila soars to record

Tokyo

SELLING by investment trusts and European investors pushed share prices lower and the Nikkei average lost ground for the fourth consecutive trading day, *writes Emiko Terazono in Tokyo.*

The 225-issue index lost 92.61 at 20,825.58 as many investors remained on the sidelines ahead of today's settlement of September futures and options contracts, and release of the *tankan*, or quarterly report on business sentiment.

The Nikkei moved up to a day's high of 20,943.79 in the morning session, but fell to the day's low of 20,756.28 just before the close. Steel and oil shares were sold after the announcements of gloomy corporate news from leading companies in the sectors earlier in the week. However, some traders blamed the popularity of the second section and over-the-counter market, which was attracting funds away from the first section.

Volume contracted to 250m shares from 297m, staying below 300m shares for the fourth day in a row. Declines outscored advances by 592 to 362, with 202 issues unchanged. The Topix index of all first section stocks receded 6.48 to 1,676.34, but in London the ISE/Nikkei 50 index rose 4.82 to 1,286.91.

The increase in new listings on the second section and OTC market has been supporting activity in the smaller markets. On Wednesday, turnover on the OTC market came to Y55.5bn, rising above Y50bn for the first time since June 1991. Traders said that Promise, the consumer finance company which became listed on the OTC on Tuesday, attracted investors.

Steel issues weakened on earnings fears, following Nippon Steel's downward profits revision on Tuesday. Four leading steel makers are scheduled to announce similar revisions today. Nippon Steel fell Y18 to Y342, NKK lost Y5 to Y294 and Kobe Steel retreated Y8 to Y300.

Oil companies continued to lose ground following reports of Nikko Kyodo's liquidation of its US subsidiary. Nikko Kyodo dropped Y13 to Y497 and Tonen Y40 to Y1,590.

Nippon Telegraph and Telephone lost Y15,000 to Y915,000 after its decision to cut long distance rates, while KDD, the international telecom company, surrendered Y100 to Y12,700. After the market closed KDD announced a cut in its overseas call rates.

In Osaka, the OSE average dipped 122.04 to 22,749.04 in volume of 38.5m shares. Ono Pharmaceutical shed Y90 to Y5,620 on profit-taking.

Roundup

PACIFIC RIM markets were mixed.

MANILA soared to a record high, the composite index rising 25.49 to 1,911.77, with the outlook for PLDT providing the spur. PLDT climbed 65 pesos to 1,410 pesos.

SEOUL was spurred sharply higher by aggressive buying by individual investors. The composite index rose 12.54 to 696.14 in turnover that picked up to Won428.9bn. Renewed rumours of a currency reform, which the government has strongly denied, and anticipation of economic boosting measures contributed to the day's gain.

HONG KONG saw moderate losses at the close, after a plunge in index futures helped to erase solid early gains. The Hang Seng index shed 20.37 to 7,586.76, after hitting an intraday record of 7,663.63.

AUSTRALIA continued its downward slide, undermined by weaker gold and resource stocks, a lack of overseas interest and the sharp overnight fall on Wall Street. The All Ordinaries index finished 8.1 lower at 1,931.4 in light turnover of A$398.4m.

NEW ZEALAND was hit by profit-taking, which left the NZSE-40 capital index 8.06 easier at 1,992.29.

BOMBAY picked up as the government sought to end the uncertainty that has beset the market in recent days. The BSE index rose 82.30 to 2,662.54 in a session shortened to one hour from the normal two.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 8 1993								TUESDAY SEPTEMBER 7 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	144.16	-0.3	138.74	96.28	121.35	145.65	-1.4	3.51	144.59	138.97	95.05	121.07	147.72	148.84	117.39	124.36
Austria (17)	173.39	-3.3	166.87	115.80	145.95	145.76	-3.1	1.33	179.39	172.42	117.93	150.20	150.36	180.43	131.16	156.70
Belgium (42)	148.62	-1.9	143.03	99.25	125.09	129.20	-0.7	4.44	151.43	145.55	99.54	126.79	130.14	156.76	131.19	143.64
Canada (107)	122.93	-1.1	118.31	82.09	103.46	117.36	-1.5	2.89	124.30	119.47	81.71	104.07	119.17	130.38	111.41	125.90
Denmark (32)	230.07	-1.0	221.42	153.65	193.65	209.50	-0.2	1.08	232.42	223.39	152.80	194.60	209.82	232.42	185.11	216.36
Finland (23)	108.48	+0.4	104.40	72.45	91.31	130.45	+0.3	0.81	108.01	103.82	71.01	90.44	130.06	118.56	65.50	53.09
France (97)	167.85	-1.0	161.54	112.09	141.27	150.14	-0.4	3.07	169.50	162.92	111.42	141.91	150.76	170.50	142.72	161.97
Germany (60)	126.49	-0.7	121.74	84.49	106.47	106.47	-0.2	1.98	127.39	122.44	83.76	106.66	106.66	128.77	101.59	118.24
Hong Kong (55)	302.14	+1.3	290.78	201.78	254.33	300.18	+1.2	3.30	298.35	286.76	196.13	249.82	296.57	302.14	218.82	235.52
Ireland (14)	170.00	-1.4	163.61	113.53	143.09	166.40	-1.4	3.36	172.34	165.65	113.30	144.30	168.76	173.06	129.28	157.32
Italy (70)	73.40	-2.7	70.64	49.02	61.78	85.85	-2.7	1.90	75.45	72.52	49.60	63.17	88.26	78.93	53.78	59.86
Japan (470)	158.29	-2.0	152.34	105.71	133.25	105.71	-0.4	0.78	161.46	155.19	106.15	135.21	106.15	165.91	100.75	115.24
Malaysia (69)	407.43	-0.7	392.12	272.08	342.93	399.04	-0.9	1.73	410.47	394.53	269.83	343.68	402.65	410.47	251.66	240.00
Mexico (19)	1771.56	+0.8	1704.97	1183.10	1491.15	6027.74	+0.8	0.82	1758.01	1689.73	1155.72	1471.97	5978.74	1771.56	1410.30	1287.67
Netherland (24)	182.90	-2.0	176.03	122.15	153.96	151.89	-1.3	3.56	186.58	179.33	122.66	156.23	153.88	187.18	150.39	164.98
New Zealand (13)	61.77	+0.9	59.45	41.26	52.00	59.42	+0.4	3.75	61.20	58.82	40.23	51.24	59.18	62.98	40.56	42.05
Norway (22)	171.59	-2.4	165.14	114.59	144.43	164.66	-2.2	1.60	175.84	169.01	115.60	147.24	168.44	177.31	137.71	139.65
Singapore (38)	290.40	+0.0	279.48	193.94	244.43	214.45	-0.1	1.61	290.53	279.25	191.00	243.26	214.62	290.53	207.04	192.93
South Africa (60)	175.93	-4.1	169.32	117.49	148.08	187.27	-2.8	2.78	183.41	176.28	120.57	153.56	192.62	215.29	144.72	177.04
Spain (43)	139.94	-0.4	134.68	93.46	117.79	139.41	-0.3	4.09	140.45	135.00	92.34	117.60	139.76	140.45	115.23	140.64
Sweden (36)	186.83	-1.8	179.81	124.77	157.26	220.78	-0.9	1.53	190.21	182.82	125.04	159.26	222.80	196.23	149.70	171.31
Switzerland (50)	136.19	-0.7	131.07	90.96	114.65	120.15	-0.3	1.81	137.18	131.85	90.19	114.88	120.51	138.04	108.91	115.57
United Kingdom (218)	190.52	-0.3	183.35	127.22	160.34	183.35	-0.1	3.83	191.03	183.61	125.57	159.94	183.61	191.03	162.00	181.02
USA (520)	186.63	-0.4	179.61	124.64	157.09	186.63	-0.4	2.75	187.43	180.15	123.22	156.94	187.43	189.40	175.38	169.67
Europe (748)	157.62	-0.8	151.70	105.27	132.68	146.13	-0.5	3.09	158.93	152.76	104.48	133.08	146.82	159.19	133.92	146.66
Nordic (113)	177.61	-1.4	170.93	118.61	149.50	183.11	-0.7	1.34	180.10	173.10	118.40	150.79	184.35	183.23	142.13	157.51
Pacific Basin (714)	162.63	-1.7	156.52	108.61	136.89	113.19	-0.4	1.04	165.44	159.01	108.76	138.52	113.62	168.80	105.89	118.99
Euro-Pacific (1462)	160.46	-1.3	154.43	107.15	135.05	126.80	-0.4	1.86	162.65	156.33	106.92	136.18	127.32	162.86	117.26	130.19
North America (627)	182.67	-0.5	175.81	122.01	153.79	181.93	-0.5	2.75	183.51	176.38	120.65	153.68	182.79	185.59	171.51	166.93
Europe Ex. UK (530)	137.04	-1.2	131.88	91.54	115.37	124.60	-0.7	2.54	138.69	133.31	91.19	116.15	125.47	139.43	112.51	125.73
Pacific Ex. Japan (244)	205.61	+0.3	197.88	137.33	173.08	191.21	-0.1	2.97	204.97	197.01	134.77	171.64	191.41	205.61	152.70	155.72
World Ex. US (1648)	160.34	-1.4	154.31	107.09	134.97	128.69	-0.5	1.88	162.54	156.23	106.86	136.10	129.28	162.89	118.51	131.20
World Ex. UK (1950)	165.93	-1.1	159.69	110.82	139.68	143.03	-0.5	2.03	167.76	161.24	110.29	140.48	143.73	168.50	134.22	139.60
World Ex. So. Af. (2108)	168.18	-1.0	161.85	112.32	141.57	146.30	-0.4	2.20	169.85	163.26	111.67	142.23	146.93	170.43	137.29	143.05
World Ex. Japan (1698)	175.34	-0.6	168.75	117.11	147.61	169.59	-0.5	2.85	176.35	169.50	115.94	147.66	170.39	177.11	157.47	159.35
The World Index (2168)	168.09	-1.0	161.77	112.26	141.50	146.69	-0.4	2.20	169.81	163.22	111.64	142.19	147.35	170.42	137.32	143.18

Latest prices were unavailable for this edition.